

# **Rough Draft**

## **Informational Townhall Hearing California Smart Meters**

**Monday, October 5, 2009**

**Kern County Board of Supervisors Chambers  
Bakersfield, CA 93301**

**Senator Dean Florez, Chair**

**SENATOR DEAN FLOREZ:** Good evening. We're going to begin. I want to thank everyone for coming. I do want to welcome everyone to this special town hall meeting exploring the issues surrounding the enormous price shock that folks here in this area have been experiencing with their PG&E bills.

Let me start by first acknowledging that this town hall meeting is in response to the public. And I do want to say that the people that I serve, and particularly all the people that called my office, definitely told me that we needed to convene some forum where we had an opportunity to ask questions of PG&E, ask questions of the PUC, get some perspectives from everyday consumers here in the Central Valley, and particularly, Bakersfield, and have the opportunity to talk to some organizations who have been at the PUC level trying to deal with rate increases.

TURN is here tonight and the Office of Rate Payers Advocates, so we have the kind of hearing, I would tell you, that we would normally have in Sacramento, here in Bakersfield. So this would be one of my normal oversight hearings but we are holding it, if you will, off-sight in the epicenter where the rate shock has occurred.

And I would also like to say, I do appreciate, again, everyone calling and asking us for some action, and more particularly, being the opinionated county that we are, saying that we deserve answers. And I absolutely think hopefully tonight we can try to get to that.

Someone asked me earlier tonight what I expected to get out of this particular hearing and I want to kind of, just for my preparing for this hearing, give you some thought processes.

The first thing I'd like to do is ask PG&E some pretty probing questions. So like I would in Sacramento, I'd like to skip the opening statements, skip the niceties, if you will, and I'd like to just get down to some of the questions that I have. I have a lot of questions. Anything that I do not cover in my questions, I would ask the utilities, both PG&E and Edison, to then cover. And I would like to get some answers about what's changed here, particularly in Kern County, over the last year. These rates are pretty big and we want to make sure that we have an opportunity to also explore some of the rationales, excuses, whatever you may want to call them, from PG&E in terms of why there are rate increases and the like. I want to make sure we go through that very thoroughly.

Tonight we're going to start the hearing with some of the folks that have contacted my office. We're going to hear about some of their experiences with PG&E, and particularly talk about their PG&E bill. I could probably tell you that their experience is probably no different than a good majority of people in Kern County, so I hope we have a representative sample of people giving us their perspective.

I'd also like to say that we are very appreciative, although somewhat suspect, of the answer centers that were created over the last couple of days here in the Central Valley. I'm very happy that PG&E put these answer centers together. But knowing that we were going to have, in many cases, a rate increase, knowing that bills supposedly were going to be higher, I would have expected from a billion dollar corporation with a \$23 million dollar marketing campaign, to start those answer centers in March, in April, and May. I do have some questions about that; it will relate back to the budget for smart meters and I want to make sure that we're clear in terms of outreach. Nothing is wrong with doing it a couple of days before this hearing and nothing is wrong with doing it two days after this hearing, but I think that's the kind of effort that we expect well before—months before—a hearing and well after we are

gone from this place as well. So I hope that you know that we will follow through to make sure that PG&E and the utilities continue to try to explain, indeed, why our rates have gone, and where are the benefits going?

I do know many people have questions about smart meters. We're going to talk particularly about that and as they relate to potential rate increases not only now, but in the future.

And I can tell you that my own perspective is that PG&E has done a terrible job of explaining to the public what the benefits of smart meters are. I haven't run into one person yet, whether it's the Valley Plaza, the Market Place, or in Shafter's Brookside Deli, that has come up to me and said, *I absolutely know why these smart meters make sense and I absolutely want them*. And so, I hope that you know that we're going to be asking some questions.

We paid, you should know as rate payers, close to \$3 billion for these systems at the end of the day, and we should know where \$3 billion is going over the next 20 years. We should absolutely have some clear answers to that.

I can tell you that to the average rate payer we have to explore the question of what a smart meter is. Do they even work? What are they supposed to do for us? How reliable they are? And, ultimately, why were they installed twice? are some things that we want to explore a bit tonight.

I can tell you that my view of it, at this point in time, is that these meters are simply one-way communication devices to the utility. And if you've had an opportunity to read my editorial yesterday in *The Californian*, I tried to explain in my view how smart meters are supposed to work. It's a two-way communication device so that we as consumers can get the most up to date information to save ourselves money. Right now the system seems to work as a one-way system to a utility that continues to, at least from my view of it, ask for rate increases that cost us money.

So I hope that you will please listen very carefully as we talk about having no access to this data to absolutely change our habits. We have to change our habits; we all know that. We are very good when we have the information in front of us. And if you don't believe us; when gas went up to a

certain price, a lot of us didn't drive as much; we didn't take as many trips. But guess what; we knew the price, we knew where it was going, we had an opportunity to change our consumption. I can guarantee you that many of you, right now, don't know what your rate is as you're sitting in this audience, and if you did, you might change your habits. But without the information from a smart meter to tell us that in our house, it's going to be very difficult to move in that direction.

I can just simply say that we're also going to have a discussion on rates tonight. Obviously, the question is how much are we really paying? Who are the big winners and losers in this system? And, quite frankly, with these enormous bills that we're experiencing; it certainly looks as though Kern County is losing out. Whether it's the fact that our base rate is too low; whether it's the fact if you look at the amount of increases and rates and the amount of increases in your bill (they may not correlate), somebody is losing here and the question here tonight is really to try to get to that answer—who is losing and who is benefiting?

We do have a full agenda.

I once again want to thank everyone for coming tonight. I'd like to have some of our consumers please come up to the panel to my left and then I have a few questions for them and then we're going to get to PG&E. So if we could have June Hahn, Jeanne Radsick, Tony Ayon, and Alice Quintana come up, we'll begin that portion of the hearing.

Okay, let's go ahead and begin. I don't want to take too much of your time but I do appreciate all of you coming. We do have four other panels right after you.

But let's just start with you, June, if I could. Just in general, this year, the last year, what can you tell us? What's your bill look like?

**JUNE HAHN:** Last year my bill was pretty good. I got my smart meter on Valentine's Day of '08 and it blew out all my Casablanca fans and PG&E did replace them. And my bill was pretty good all of last year until November,

December and January. I got a bill after coming back from a three-week vacation. They billed me three months consecutively without....you know, normally we get a bill every month. My bill was \$2,200.81 and we were gone for three weeks in December. And then, consistently all of 2009, our bills went up....comparing from 2008 to 2009; they've gone up about 400 percent. So my bills are consistently \$6- and \$700 a month, where they were \$140, \$180, \$166, \$73, and nothing has changed. We have not changed one thing. There's just two people that live in our house.

**SENATOR FLOREZ:** Okay. Just a question; obviously, you've contacted PG&E?

**MS. HAHN:** Yes.

**SENATOR FLOREZ:** And what was your experience in contacting PG&E? What did they tell you?

**MS. HAHN:** I've talked to them a lot. And they said that the smart meters cannot make a mistake; they're not designed to do that. And I've been told that more than once. They also said that my usage, when I know that my usage is up on my bill, but it has to be a glitch in the meter because nothing that we do is any different. We've not changed a thing.

And so, they say, *Well, have you put in new windows; have you put in a new refrigeration unit?*

On an 18-year old house?

And no, we haven't, because the people that I talked to that say that they've done all those things have accomplished nothing with that, so they're bills are still high.

**SENATOR FLOREZ:** Okay. When you contacted PG&E, did you ask for an audit? Did they ever go to your home and indeed see if these smart meters were working correctly?

**MS. HAHN:** They asked me on the phone. We talked about what I was doing in my house; what I had in my house. And I just got the new digital one the first of this month and my bill was huge. It was almost \$700.

**SENATOR FLOREZ:** Okay. Let me ask you, Jeanne, if you could give us your perspective on smart meters. Obviously, I think the last time we talked and when we were talking about having this hearing, kind of an announcement of it, you had mentioned that you've actually taken steps to reduce your energy consumption. Maybe you can take us through some of that.

**JEANNE RADSICK:** Okay. In my household in the last five years, we have reduced our household by five members, so we're down to four. We have installed all new appliances, all new windows, added insulation. Our thermostat is set at no lower than 80 degrees. We turn it on typically, middle afternoon. It goes back off at 9:30 at night—I mean *off*. Not down, but *off*. And our bill in July of '07 was \$386. In July of '08, it was \$623. In July of '09, it was \$795.

We have taken whatever measures we know to do to reduce our consumption but when the baseline fluctuates on an ongoing basis and you don't know what it is that you should be doing or could doing differently, it's hard to adjust. I mean, a few years ago they had some special rebates that if you used X-amount less than you did the previous year, we got rebates for several months in a row, so we were clearly doing what we should be doing to try to mitigate our usage. But the rates have continued to go up incrementally.

**SENATOR FLOREZ:** Let me ask you; did you have contact with PG&E; did you have an opportunity to call or are just kind of laying out what you see as a problem that many people...

**MS. RADSICK:** I did not call them specifically.

**SENATOR FLOREZ:** Okay. And any thoughts in terms of what you see as the benefits of smart meters from your vantage point, at this point in time?

**MS. RADSICK:** I have not seen any benefits to it just because I don't know enough of what it's supposed to be doing. I mean, you can't read it and say, *Oh, those little wheels are spinning faster than they should be*. I mean, I don't know how to interpret those meters, so I have no ability to gauge what I should be doing. I mean, I could stay up until midnight and run my washer and dryer at midnight, I guess, but as it is, I typically run them in the morning

when we're not running air conditioning. We try to measure when our dishwasher goes off. We preset it; it goes off at midnight. So we're not running any of those appliances in the heat of the day typically.

**SENATOR FLOREZ:** Got you. One last question and then we'll gone onto Tony. Right now, could you go out to your smart meter where it's at in your home and look at the digital meter and could you tell whether you're doing better or worse?

**MS. RADSICK:** No, I can't.

**SENATOR FLOREZ:** Okay. Mr. Ayon, thank you for joining us.

**TONY AYON:** Good evening.

**SENATOR FLOREZ:** Give us your experience if you could.

**MR. AYON:** Well, I actually don't recall where I was at, if it was a home show or the fair, one of those things. I go to all of them. And I ran into a booth where PG&E was there and they talked to me about coming out and doing a free survey of my home and where I can cut some corners and save some energy. And I say, "Hey, free. Let's do it," and so, I brought him out.

My house was built in 2004, so I have energy efficient windows, energy efficient appliances, so all that stuff is already there. What they did find was that my pool and my lighting were taking up the majority of my energy. So I went and I got a recommendation—cut down my hours on my pool to about an hour a day (my pool is not that big) from four hours. And then, I changed every single light bulb in my home to the energy efficient ones. And my bill was \$91 for that month. And then I got my first smart meter installed and it jumped up to \$220, and then it jumped up to \$340 the month after. So I didn't know what was going on. And, obviously, you can't read those things. And you call PG&E and they give you all this information that makes no sense. So that's what was happening with me.

**SENATOR FLOREZ:** So you called PG&E and the answer, at least, was not helpful or you couldn't....did you have any better understanding of...

**MR. AYON:** Well, people that know me know that I'm very aggressive when it comes to things like this. So I called them quite a few times and found

out that, you know, like they mentioned before, those meters are never wrong. So obviously, my smart meter was first installed in October of '07 and, obviously, that one wasn't smart enough so they installed another one in April of '09, and the same thing happened—the bill went up little by little every month. So their answer was, *Those things don't make mistakes. They're digital and they send a single directly to PG&E, and the computer does all that good stuff.* And so, they don't make mistakes.

**SENATOR FLOREZ:** Right. What line of work are you in?

**MR. AYON:** I'm in real estate.

**SENATOR FLOREZ:** You're in real estate. So you're pretty familiar with a calculator, right?

**MR. AYON:** A little bit.

**SENATOR FLOREZ:** Okay. Are you able to calculate anything off your smart meter, at this point in time? Take a walk out and look at it?

**MR. AYON:** Well, when you go out there and look at it, actually the numbers kind of flicker so I don't know what the heck is going on. They're not real numbers. They're flickering numbers.

**SENATOR FLOREZ:** And you look at your PG&E bill, obviously, and it shows you the amount of usage and you can see that there is some base that your meter starts at.

**MR. AYON:** Right. And I'm always over the base for some reason.

**SENATOR FLOREZ:** Okay.

**MR. AYON:** But my house, it's not built in the 1900's; it's 2004 with everything, so that was the argument that I had with them. But those things are never wrong, so obviously...

**SENATOR FLOREZ:** If the smart meter....we'll get into this later in the hearing....but just from your vantage point—all three of you—if your smart meter even outside were to flicker red, green and yellow; if you were going from tier 1, 2 and 3, if just the yellow light went on in your smart meter, would that change your thoughts in terms of consumption? Would it give you some idea that you're getting close?



**MR. AYON:** Right. Or since it's digital, why don't you send me an email, a text, or something saying, "Hey, you're getting close to your overage or something?"

**SENATOR FLOREZ:** Okay. That's a good idea. You want to send PG&E your bill for that advice, that's good.

**MR. AYON:** I thought of that. It's on record, right?

**SENATOR FLOREZ:** Yes, it's on record. You can patent that tonight. Thank you.

But Mr. Ayon, let me ask a follow-up question to that. Why would that be important to you? What would that text, or what would that notification mean if indeed PG&E is getting real time information? You're getting your information if you go online, a day later, but what would it mean real time if you were to get that notification? What would it mean in terms of your consumption pattern?

**MR. AYON:** Well, I mean, I would be able to recognize if I'm using something at the wrong time of the day, or maybe I can change some habits that would help me keep my usage at a lower rate.

**SENATOR FLOREZ:** Okay. That's fair. Thank you very much.

Alice, thanks for joining us.

**ALICE QUINTANA:** Thank you.

**SENATOR FLOREZ:** Give us your perspective. What do you see out there in terms of your bill?

**MS. QUINTANA:** I haven't gotten a smart meter yet and that's why I'm here, because I really don't want one. My mom has one (and I just moved out of their home and bought my first home) and I've seen her bill go up very much.

And I'm a new first time homeowner and when I got my house I called PG&E out. They came out and weatherized the house. I changed every single light bulb. I do my laundry at midnight. I run the dishwasher when it's completely full; so once every two days. It's just one person in my house.

Laundry is, like, once every two weeks. I try to do everything the least amount possible. My AC is at 81. I run fans to keep it....everything I can possibly do.

I don't know if they're going to get me for this, but I've put them off as much as possible to let them come out and install the smart meter. I've gotten a bunch of notices from them. Please don't come out.

I'm on a fixed income and I'm really scared if I'm going to have to choose between food and the PG&E bill if this happens to me.

I mean, I just finally got my home. (applause)

**SENATOR FLOREZ:** Alice, thank you. Thanks for your testimony. So you don't have a smart meter. We'd like to follow-up with you in a couple of months if indeed you get a smart meter.

**MS. QUINTANA:** Is there a way I don't have to get one?

**SENATOR FLOREZ:** That is a good question. We will ask PG&E tonight and it will be a special question from Alice. This is the purpose of the town hall meeting.

**MS. QUINTANA:** Yeah. Please.

**SENATOR FLOREZ:** Thanks to all four of you. And let's have the other four witnesses come up. Okay, we're going to have Liz, Sylvia, and Jill, James and Marisa. Thank you for joining us tonight. You kind of get the gist of where we're going before we get to PG&E next. I'd like to get your perspectives on your bills, smart meters, and, particularly, what you think where we're going thus far. So maybe we can start with Liz.

**LIZ KEOGH:** Thank you, Senator Florez. I'd like to give some exhibits to whoever collects exhibits.

**SENATOR FLOREZ:** Thank you.

**MS. KEOGH:** I will try to be brief. My name is Liz Keogh. I live in east Bakersfield. I'm a proud resident of Senator Florez's senate district. He represented me when he was in the Assembly. I've lived in that neighborhood and in my particular house for 25 years. And ever since I moved in I wrote down every month how much I used, how much it cost, so I have a 26-year history of me and PG&E. (applause)

**SENATOR FLOREZ:** And, Liz, I should say these all are handwritten. This is not a spreadsheet; this is your own spreadsheet.

**MS. KEOGH:** At the kitchen table with pencil.

One of the issues that has been brought up is the rates and rate increases. I am probably very unusual in this group and in the whole community because there have been exactly two times in the last 26 years where I have gone over baseline. My usage is pretty frugal. You can call me cheap; you can call me whatever, but I don't use a lot.

The baseline rate since August of 2003 has gone up less than one percent. That's over a six-year period. When I looked at the change from May of 2006 when the baseline rate was 11.43 cents per kilowatt hour, it is now 11.531 cents. That is an increase of .9 percent.

When I looked at my history and ranked the highest electric usage that I have had over those 26 years, July 2009 comes out on top, followed by July 2006. I'm not sure where that comes from. September 2009, August 2009, July 2005, July 2008, July 2003, and so on, three out of the four highest usage months that I have had have been July, August, and September of this year. We all know that July is a hot month and so, seven out of the ten are in July.

Part of my bringing up this rate change from August of 2003 until now, is that it is not a change in the baseline allowance or rate. But it's important to understand what's going on there because it has a ripple effect. It has an effect on the upper tiers.

I then looked at my usage from May of 2006 through September compared to the baseline rates. Now, the baseline rate, as you know, changes in May 1st and November 1st. For 2006 and '07, the summertime baseline was 11.3 kilowatts per day. In 2008 and '09, it went up to 11.4. The winter allowance is 11.3 in 2007 and '08, and 11.4 in 2009.

I know some of these numbers are boring but in an earlier life I was a statistician, so I have lots of fun with them.

What I did was chart my usage against baseline allowance. And I'm not sure you can see it very well but there's kind of a hat in this and that's the baseline allowance. I then charted my usage from May 2006 'til September and as you can see, the lines start kind of low down here; then they go up; then they drop down.

What was curious to me is that in every year, 2006, '07, and '08, there is a drop from July until August. In 2009, the drop actually goes from here to down here. In 2009, it dropped only about halfway. There is always a drop between August and September in 2006, '07, and '08. In 2009, it went up in September. How can this be? How is this possible?

What I then looked at was my average use for 2003 through '08 for June, July, August, September and compared it to my usage in June, July, August, and September of 2009. Compared to my average for the past six years, the June usage was 36 percent more; the July usage was 37 percent more; the August usage was 38 percent more; and the September usage was 100 percent more—almost doubled. So you say to yourself, "What's going on here?"

The reason I brought these two rolls of toilet paper is....as you know with a new roll of toilet paper when you unroll it once—once around the core—you get about four sheets. When you're down to the end you have to turn it much more than one time to get the same number of sheets.

So the only reason I have eliminated the rate increase, because it was less than one percent in six years; I have eliminated baseline changes because they've been pretty constant in terms of winter allowance and summer allowance over the past six years; the only thing I can think of is my meter is now running the way the end of the toilet paper does so I use (applause)....so even though I use one kilowatt, the meter thinks I've used one-and-a-third, one-and-a-half, two, I don't know. The reason that this is important (thank you whoever said calibration) is that if the meter is registering more than you actually use, that is pushing you up to tier 2 or tier 3 or tier 4 (applause).

And my last little exhibit is; as an example, if your prior average usage was 750 kilowatts per month, and like mine went up 36, 37, 38, yours goes up

36, 37, 38. You will now be paying tier 1, 582 kilowatts; that's 19.4 kilowatts a day for 30 days. You used to pay \$168 on tier 2. With that 37 percent increase, you're now going to pay \$582 on tier 1, \$174 on tier 2, and \$270 on tier 3. And each time you move up on the tier, you are paying a whole lot more than that little old baseline use. If it's doubled, the way my September one did, you're now going to pay \$407 at tier 3, and \$321 at tier 4. If you use a 1,000 average and you apply the 37 percent, you are now looking at \$206 in tier 4. If you apply the double, you are now looking at \$582 tier 4, and \$234 in tier 5. So what is going on at this baseline is extremely important to understand because it affects everything else.

Thank you, Senator. (applause)

**SENATOR FLOREZ:** Thank you, Liz. Appreciate that. If you want to come to Sacramento to help explain the budget, you could do that too in a much more cogent way that we can understand it. (laughter) Thank you so much for that. Very good explanation.

James, let's go ahead and get your perspective.

**JAMES WARE:** Thank you, Senator, for inviting me. I'm in awe of this lady. I'm not that precise and I'm not that involved, I'll tell you that.

**SENATOR FLOREZ:** Well, we'd love to know about the tiers. I mean, your perspective of what Liz....maybe taking us a little deeper in this conversation as we get towards the utility—your perspective on those.

**MR. WARE:** Well, I'll probably look at this a little bit differently, if I may. If I can digress?

**SENATOR FLOREZ:** Sure

**MR. WARE:** I had a conversation with....I've been here forever. I'm in my eighties \_\_\_\_\_ and all that good stuff. And I appreciate you taking the time out of your busy schedule in Sacramento and listening to what we have to say here. I rarely appear. In fact, I can't remember how long it's been since I appeared before any kind of forum and I appreciate this.

Earlier this week I had a protracted conversation with a PG&E agent and I won't go into the details, but I had a lot of ire after I left that conversation

because I had a feeling that he was talking down to me. And he finally said, the problem I'm having with my meter is that there's been a price increase. Well, I understand price increases. And I thought maybe, perhaps, that I'd find out just exactly what he's talking about.

So I asked him, *Well, let me ask you this*, finally when we began to talk civilly to each other.

I said, *Just exactly what must I do to my bill to get it down under \$300 a month?*

And he said, *During the summer months it's very unlikely.*

And that really raised a lot of ire in my heart, like I said previously, because he was saying this is all a result of a price increase.

Well, I began to do some research and I found that there was not one price increase, there's two prices that's been billed to us in our usage of power.

So recognizing that PG&E is a private corporation and they're going to get as much as they can for their stockholders (and it's a monopoly), but we have a board. (applause) We have a board in Sacramento that I'm sure that you probably know most of these people, and I wondered where they were when they passed these—not one bill, but two bills.

Now, I don't know about a lot of people, but my resources really took a terrible hit this year. I'm old, but I've been told since 70 years ago, we are suffering the same dilemma that they had 70 years ago, so the economy is really drifting.

Now, the PUC....and I don't know any of these people; I'm sure they're grand people....but I know things being what they are, PG&E is going to get as much money out of them as they can. And I feel that the board has failed miserably. (applause)

Now I was told in my conversation with this gentleman at PG&E....perhaps he had a bad day but nevertheless, that's something else....I said, *Well, I understand that all these enhancements you're doing to your company is saving you hundreds of thousands of dollars. Well then, why isn't there a balance here?*

Now, I'm not suffering like some people are, but my bill went up from about \$280 to \$496. And my parentage is from Ireland, and if you know any Irishmen, they're pretty tight and I've inherited some of that unfortunately. But when I began to realize that this was, as PG&E is saying, *It's because we got these rate hikes, this is why your bill's increased*, then I wanted to know why our representative is not doing more to tap these things down?

Thank you, Senator. (applause)

**SENATOR FLOREZ:** Good point. We will try to get those answers tonight, so I appreciate that. Thank you very much.

Jill, thank you for joining us.

**JILL STEPHENS:** Good evening, Senator Florez.

**SENATOR FLOREZ:** Just to get your perspective; what you've heard, your bills, and your interactions with PG&E.

**MS. STEPHENS:** What I've heard in regards to the smart meter, before my meter was placed, installed, in my home, a lot of negative things in regards to rate increase, people's bills going up.

So in May of 2008, they came out to my home (my home was built in 2006) and installed the smart meter. And the first month, I believe, it may have been \$150. And I'm accustomed to my PG&E bill being less than \$100. There's four people in my home. I'm the only adult. I have a 17-year-old, a 12-year-old and 2-year-old. My 17-year-old is rarely at home. I work maybe 10 hours a day, so we're not home throughout the day. We're not using excess PG&E. We sleep eight hours. So basically, we're using our utilities four hours a day. And so, I was thinking when I got my first bill (\$150) I can handle this. I could afford this in my budget. June went along; it went up just a little bit—maybe close to \$230. But in July, oh my goodness! It was like over \$600. So I immediately called the PG&E because that wasn't in my budget.

So I called PG&E out and they came out and they did an audit (like you said) of my home—couldn't find anything. A very nice gentleman from PG&E came out and said basically, *Well, why don't you change your vents?* and showed me a couple of places that I needed to change the light bulbs. The

following month, still a \$500 PG&E bill. And if it wasn't for the help of my family I don't know how I could have paid this PG&E bill. (applause)

I went online. I did everything they told me to do in regards. And the PG&E has a website that says, you know, about the smart meter and I read it. And the three things that's stated; number one, that the smart meter would basically be a benefit to me. A benefit to me, number one, for greater convenience. And they explained this as, *You won't have anyone coming out to your home in your yard violating your privacy.*

Number two; better and faster service. Okay, better and faster service for me or for them?

And number three (listen to this); new pricing plans that offer more control over your energy bill. Did I have control? No. Because I did everything they told me to do, but I still had no control and my bill was still over \$600.

So what I'm asking is show me what I need to do to lower this bill and control it, like you stated on your web page—where I can have more control.

**SENATOR FLOREZ:** Thank you, Jill. Very good testimony.

Marisa, thank you for joining us.

**MARISA BANKS:** Thank you, Senator Florez. You know, ditto.

My husband and I, we are in the workforce and we're working. We have four children. And, of course, like everyone has stated to you, we saw an increase in our bill as well. In April our bill was \$136; in May \$117; in June \$222; July \$397; August \$709, on and on.

Like Jill, it wasn't in our budget so we sat down at the kitchen table (of course, we are not statisticians like Liz) and we decided what we were going to do.

But Senator Florez, my main concern is for my mother, a senior citizen, 32 years in teaching—retired, so no longer in the workforce. And she spent a month in Oklahoma, and in that month, her bill for the month of July was \$873. In April her bill was \$148; in May it was \$115; in June it was \$197. The month that she was in Oklahoma on vacation her bill was \$873. Now what she does when she's on vacation is she calls us and she tells us, *Go to the mail and*



*open up the bills and make sure.* And so, when we said the amount she said, *What?*

My concern, Senator, is how are the seniors going to live when they've already put into the system if the rates keep increasing?

And also, of course, having to sit down with mom and explaining what a smart meter is and why they've done it, not knowing what to say, trying to explain that.

Do we have the option, like Alice, to opt out if we don't want the smart meter? If \$115 was working for me, can I keep \$115? (applause) That's just all we want to know.

**SENATOR FLOREZ:** Great. Thank you all very much. Liz and James, Jill and Marisa, thank you so much, and the panel before. Please let's give them a hand. It's not easy to testify in front of these things. We appreciate that. Thank you. (applause)

Okay, if we can have PG&E come up please? We have Felicia Lokey, Terry Scott, Ken DeVore, Bill Devereaux and Harry Hutchison. Thank you very much for joining us.

Let me give you a little bit of the ground rules of at least this particular proceeding. I think I mentioned at the beginning, I'd like to be able to go through my questions. I have a lot of them. I have 55 questions, just so you know. And then at the end, if there is anything I didn't cover, I'd like to see if you can, then, tell us more about it.

Probably in the questions you're going to get into a little more detail, and that's good, but I would like to just get your overall opinion. You've heard the testimony thus far and just a very simple threshold question and that is; does it concern you? And maybe, Felicia, you're the Senior Director for Customer Engagement, so what can you tell us? Does what we've heard concern you? In what sense does it concern you? What's been the company's response to thus far?

**FELICIA LOKEY:** Well, first, let me thank you for giving us the opportunity to speak and respond. I think the first thing I would say to you,

Senator, is that our customers are important to us. We are committed to serving our customers. And to the extent our customers—and I obviously heard it very loud and clear—have concerns. We want to address their concerns. We want to understand the issues. If there's something wrong, we are committed to working with them and fixing it. And understanding where there are opportunities that we may not have communicated properly; where your point about getting out ahead of the issue, I'll sit here and tell you, we could have done a better job about letting customers know that rates were going to increase. We let customers know in March. We could have done another round of education as it got to the summer season.

So I think to sum it up, yes, it does concern us when our customers speak about issues that they feel that have affected them and that they feel like they're not being heard. Because the most important thing to us from our customers is that they trust us and that they believe (audience laughter)....it is important that our customers trust us, and we're committed to helping them.

**SENATOR FLOREZ:** And let me ask a question just from my perspective on that. You mentioned that it's important that the customers trust. But I guess what I've heard from all eight witnesses tonight and in my travels through Kern County is that it is always someone else other than PG&E that's the problem. In other words, the culpability issue, it always seems to, in essence, be the onus on folks who should do more. You know, Jeanne's family going smaller and weatherizing, or other folks changing light bulbs and getting audits, it always seems that the company's response is, in essence, that "you've got to do more," meaning, the consumer needs to do more to conserve. And I'm wondering, does PG&E ever see any sense of blame in this? And the reason I say that is; you don't control the weather, I get that. But the rate increases that you've been talking to customers about, correct, this is the reason? Who asked for those rate increases?

**MS. LOKEY:** Well, there are a couple of things to address that question. One, the weather has been hot and it has been hot in this part of the state, right. (audience reacts)

**SENATOR FLOREZ:** And let me just say, we're going to go through that weather issue a little more carefully.

**MS. LOKEY:** There have been 17 days more this July than last July that it has been hot, and the temperatures have not dropped at night. We did have rate increases—one in October, one in March. The October increase was recovery for fuel costs that had escalated over 2008. The rate increase in March was for an investment in our transmission system, as well as for cost of power purchase agreements with the Department of Water Resources. So, yes, who asked for those? We did ask for those.

**SENATOR FLOREZ:** Right. Just for the record. I mean, when we're saying that some mysterious person somehow raised rates, and therefore, the argument is it was the rate increases that caused your bill to go up; it was you asking for those rate increases. I just want to make sure for the record that we're clear on that, correct?

**MS. LOKEY:** We followed the regulatory process that's set forth.

**SENATOR FLOREZ:** And who sets the—and I want to be real clear on this. I've done a bit of research on it this week—in the implementation of that rate increase, the timing of it, who controls that?

**MS. LOKEY:** I have to be candid, I think that we do but I'm sure my colleagues will correct me if I'm wrong.

**SENATOR FLOREZ:** Well, let me just ask a question in terms of trust and timing. If in deed there were rate increases granted that you asked for, I think everyone here would probably have preferred those rate increases go into effect after the summer, not before the summer. And so, there's a question sometimes about....it's the rate increases, one. You've asked for it. Two, it's the rate increases but yet you control the timing, the implementation of those rate increases. So when people see a huge surge in July and August, if that rate increase had been applied in September and October, as Liz pointed out, you may have been applying a rate increase at a declining time of electrical use which may not have had the sticker shock that you see here tonight.

And so, I just want to be clear from the start that I am not in any way very happy with the fact, nor is anyone here, number one, with the excuse that somebody had a rate increase. Well, you asked for it. And two, that the rate increase is just what it is, but yet you didn't have to implement it at the timing at the way that you did; it could have been implemented in a much more less onerous way so that rate increases wouldn't have occurred.

Do you see any causal relationship at all between the smart meter and the residents and bills going up? I mean, you've heard from eight people talk about smart meters; do you see any sort of causal relationship from your perspective? Is there absolutely no relationship between these smart meters and rate increases?

**MS. LOKEY:** Would you like to take that?

**BILL DEVEREAUX:** Yeah. So we've looked at thousands of accounts in Kern County over the last several months and to be completely honest (and I know this is not what you guys want to hear tonight), but we have found no relationship between the implementation of the smart meter and increases in customers' bills. (audience reacts)

**SENATOR FLOREZ:** We're going to go through that real carefully in a moment.

I just want to get your overall perspective. So you say you find no causal relationship between smart meters, and yet, there have been a lot of folks in Kern County who say there is. And is there some umpire in this? Is there some independent source that might be able to tell us if indeed there is a causal relationship? You want your trust from your customers; your customers want to trust you, but in this one it seems we have a disagreement. (applause)

And so, is there any way to in essence, with the money that's been put out, to really take a test case? Pick some folks out here. I mean, pick them. I mean pick 10 people to stand up and say, "We're going to absolutely have an independent person come in and tell us who's right here." I mean, have we ever done that? Because clearly, you saying the meter is never wrong and we

as a company are non-culpable, meaning somehow rates went up and....I think the real issue here is, can we look at some real surveys here in this test area called Bakersfield....and I can tell you, a lot of my colleagues in Sacramento asked, *Why are you doing the smart meter hearing? This thing is going, it's running, 5 million of them are going up in California.*

I said, *Because somehow I was lucky enough, our area was lucky enough, to be the test case. We were chosen, in essence, because we were one of the hotter inland areas according to your own application through the PUC, to be an experimental center for the implementation of this.*

And so, given that we're the experimental center I think the outcome of that experiment seems to be \$1,000, \$600, \$1,500, \$2,000 bills. So people aren't happy with the experiment and I think people want to know if independently as much money as you've put into this experiment, will you put an independent person on this to test that experiment? Really test it? Really ask the question whether these meters ever fail. Because I do know machines do fail. Diebold told us that voting was never going to be wrong, but we found out later through an issue of a calculation that indeed something did go wrong in those. And so, technology is always proven correct. Is there any thought from PG&E's perspective of having an independent person come in on that?

**MR. DEVEREAUX:** We have not discussed that to date. That is certainly something that we can discuss.

**SENATOR FLOREZ:** Okay. That would be a good outcome for tonight. So Alba, put that down. So we're going to have an independent person come in and we're going to make sure we do that. (applause)

So let's explore this a little more; get into a little more in depth in this. Now on the reliability issue of the meters—that's what we're really talking about, at this point in time—can you tell me any results of any ongoing monitoring thus far that checks the reliability of these meters? Can you tell us what you're doing there?

**MR. DEVEREAUX:** Sure. So first of all, we buy these meters from General Electric and a company called \_\_\_\_\_. So between those two

companies, they represent 60 percent of the electric meters built in the United States and sold on homes in the United States. Both of those manufacturers 100 percent test and certifies to PG&E, the accuracy of those meters. And we, PG&E, then, have a quality assurance process in place where we go to their factories where these meters are built and review and audit and induce sample testing ourselves, as well, in their facilities, of the testing processes and the quality control processes they have for these meters.

**SENATOR FLOREZ:** Bill, let me interrupt you because I think the gist of my question is just the opposite. You've taken the time to go to GE's factories. We want you to take the time to go to people's homes and monitor them. So the question is; do you have an ongoing monitoring program right now in place, paid for, that is doing this in Kern County?

**MR. DEVEREAUX:** In short, yes. So we do that. As we receive meters, we also additionally test them from the manufacturer, and then on request from customers, when they call us with concerns...

**SENATOR FLOREZ:** I've been in Sacramento so I want to make sure....I watch words. So you say, in essence, if something breaks you'll come out?

**MR. DEVEREAUX:** I wasn't done yet.

**SENATOR FLOREZ:** I'm asking you a very proactive question. Let me just get to the chase: How many homes have you monitored thus far on an ongoing basis? Give me the number.

**MR. DEVEREAUX:** For Kern County in the last three to four months, we have gone out and tested almost an additional 50 meters in place at the customer premises...

**SENATOR FLOREZ:** And how many meters are deployed and operable right now in Kern County?

**MR. DEVEREAUX:** There are roughly 250,000 smart meters. (audience laughter)

**SENATOR FLOREZ:** And is that an ongoing 24-hour basis that you're testing these? So in other words, what you said is that less one percent of....it's .2 of one percent that have actually been tested.

**UNIDENTIFIED:** .02.

**SENATOR FLOREZ:** .02. So we're way below the monitoring....and this is the core of the issue of trust here in Kern County. And that is, if your percentage is less than one percent of you actually going out monitoring homes and whether or not these are working, clearly, that is not going to give any trust at all from your customers from a perspective. If you're testing less than one percent and the folks here are telling us that they're not working correctly....and more importantly, you have a budget for that, and you have a budget that was passed by the PUC. It's the lowest item on your budget—monitoring meters. When it was passed by the PUC; it's \$2.6 million. I looked at your budget. So it's \$2.6 million to look at the monitoring and testing of your meters; it's the lowest amount of cost you'll spend on this program, and yet; we've only tested less than one percent in Kern County—in the experimental area—to tell us whether or not this will work throughout California. That concerns me. I think it should concern you.

So what can we do on an ongoing 24-hour a day basis to get you the company to go out and get this up to 10 percent, or 15 percent, or 25 percent to really find the problems, if you will, before people call you? In other words, not a complaint driven process, but an actual process where people can legitimately know that somebody is coming to their door? I mean, I think some folks would kind of say, *Hey, you want to check my meter? You came here out of the blue.*

**AUDIENCE MEMBER:** \_\_\_\_\_ (inaudible)

**SENATOR FLOREZ:** No one will show. Okay. We get it. That's why we're less than one percent.

**AUDIENCE MEMBER:** \_\_\_\_\_ (inaudible)

**SENATOR FLOREZ:** Got it. So here's the question I have for you then; if we aren't monitoring the SmartMeter accuracy and we've installed over 250,000 of these in Kern County, how can we know they're reliable ultimately? And they're supposed to last us over 20 years. It's a question to you; it's not a comment.

**MR. DEVEREAUX:** So we do monitor the usage from these meters through the data that's collected and as part of the validation and editing process of this data as it feeds the billing processes. If there are abnormal conditions such as the meter stops reading, or the usage is out of bounds, compared to the historical history for that customer's premise and adjusted for trends in the weather, that does create exceptions which are then work that we do to, a) validate that the equipment is working properly—proactively instead of the customer calling us; and/or to work with the customer to review that bill; it might have been estimated; to review the estimation processes that we used for that bill and otherwise make an adjustment.

**SENATOR FLOREZ:** I would suggest as point two in terms of actionable items tonight, that you come back and give us your thought processes on going out on a proactive basis and truly funding out your monitoring program so we can compare and really see how we're doing out there. I think people would expect that from a program that costs \$2 billion. I mean, we can spare a little money to do this.

And by the way, your monitoring program in your budget for this entire project is probably around the same percent—about one percent—which tells me that there is not, from my vantage point, a commitment to ever think that these will break down, to ever think that these will never work, to ever think that these are anything but reliable, if we're not on a 24-hour basis going out proactively looking at the monitoring of these and not waiting for a complaint driven system that was built in from the very beginning of this application in 2006. When I looked at your budget and said, "Wow, \$2.6 million is going to meter testing out of a \$2 billion budget." And here we find ourselves tonight asking out of the 250,000 meters that are out in Kern County, you've tested 50. It is the same statistic. And so, I would simply say, we need to work on that and hopefully kind of move forward on that.

Let me ask you a question if I could, as we are going through the questions on the meters themselves.



The Solid State meter that's being put in: Now I have talked to folks. We had some folks here tonight who said they don't have a smart meter; they want to opt out. We have some folks they're on generation-1, meaning they have an old smart meter. And then there are folks who are, in essence, being replaced with the newer generation SmartMeter. In all of those categories, where's the work being done from PG&E? Is the goal to move from first generation to second? Is the goal to get to the round turning meter to the first and second? I mean, what's the order of work for PG&E in terms of what needs to be done still? And can you opt out? I'm sorry, somebody asked that question. Alice did. Can she opt out of this program? Can any resident opt out of this program? It's a yes or no.

**MR. DEVEREAUX:** No.

**SENATOR FLOREZ:** No.

**MR. DEVEREAUX:** Well, the direction we've been given by the state and the commission is that this a mandatory program for all three utilities in the state of California to deploy AMI.

**SENATOR FLOREZ:** Go through that again.

**MR. DEVEREAUX:** So PG&E was directed to deploy AMI, or smart metering, to all of its customer base and as were the other two investor owned public utilities within the state. PG&E is further advanced than that—than the other two utilities. As a result, we implemented a first generation technology here in Kern County which we are now subsequently upgrading to a new technology that provides more capabilities for both the consumer and for the utility.

**SENATOR FLOREZ:** Okay. So the short answer is; no one can opt out. Everyone has to have one of these?

**MR. DEVEREAUX:** That's correct.

**SENATOR FLOREZ:** But let me ask the question: In your original application I noticed that PG&E asked for agriculture to be exempted; they don't have to have one. Why is that? What's special about an industry that they don't have to have a meter? I love ag, we all love ag. But I just want to

know the exception. Why in that case was agriculture exempted from having a smart meter and yet the rest of the world has to have one?

**MR. DEVEREAUX:** Janet, can you answer that?

**SENATOR FLOREZ:** Kathy, we're not asking for it. I just want to know; what's the reason for that is really what we're looking for?

**MS. LOKEY :** Let me answer that. I can't speak to it and Bill can't speak to it but we will get back to you with that.

**SENATOR FLOREZ:** Okay. That's fair. And the reason I want to know that is because believe it or not, Alice is a taxpayer just like anyone, and ag is a taxpayer just like anyone, and oil is a taxpayer just like anyone who is working for the county is a taxpayer and when we begin down the road of exemptions and saying, *Well, these folks don't have to do it*, but yet when people want to opt out....I bet you if everybody stood up here there would be a lot of folks who want to opt out. I won't ask you to do that (applause)....I think I'd like an answer only because it portrays a sense of fairness that you can't say, as Bill said, *No, everybody has to do it*, and then I have to come back and say, "Well, wait a minute, your original application with the PUC, you, yourself as a company asked for the agricultural sector to be exempted from smart meters. Now if you're a customer, if you're an oil company, if you're anyone else, you have these types of meters, correct?"

**MR. DEVEREAUX:** Um hm.

**SENATOR FLOREZ:** Right. So I just want to know that answer. Maybe that's another action item.

**MS. LOKEY:** It is another action item, if you would capture it for us.

**SENATOR FLOREZ:** No problem. Now, let me ask a question about the meter themselves. How long are these meters supposed to last? How long are the current meters that are bolted to our house, what's the lifespan of those meters?

**MR. DEVEREAUX:** The lifespan of these meters is anticipated to be much like the standard electric kilowatt hour meters of today that we're replacing. You know, your typical electric kilowatt hour meter today, the one

that had that dial and spun, would typically have an anticipated lifespan of, say, 20 years or so.

**SENATOR FLOREZ:** Twenty years?

**MR. DEVEREAUX:** Right.

**SENATOR FLOREZ:** So, do you have any plans, then, of replacing these meters to generation-3?

**MR. DEVEREAUX:** There is absolutely not a current plan to upgrade these to generation 3. And, in fact, one of the reasons for the move to generation 2 that was discussed and approved by the commission, is that generation 2 meters are completely upgradeable in place from a security and capability point of view to eliminate the need to ever upgrade them.

**SENATOR FLOREZ:** Okay. So you are saying there will never be a need to upgrade these even though we've already seen us go from generation 1 to 2 in a year? So I'm sure I would have asked the question of the PUC in 2006; is there ever a need to upgrade this you'd say absolutely probably not? And yet, we spent \$600 million of rate payer money to upgrade to 2, and that was just a year. So you're telling me this is going to last for 15 to 20 years with all certainty? Not that I will replay this, but I will replay this on television if I have to. So the simple question is, 20 years is a long time; has there ever been a smart meter in operation for 20 years?

**MR. DEVEREAUX:** Not that I'm aware of.

**SENATOR FLOREZ:** So how do we know?

**MR. DEVEREAUX:** We don't definitively.

**SENATOR FLOREZ:** We don't. So that's a better answer than saying "we're not."

**MR. DEVEREAUX:** Right. What I said is that we have no plans or see no need to, to further upgrade beyond the generation 2 meters that we're deploying.

**SENATOR FLOREZ:** At this point in time.

**MR. DEVEREAUX:** At this point in time.

**SENATOR FLOREZ:** Okay. So then we really—I'm not leading you—but we really don't know then. I mean, let's just be honest. If we're saying there's never been a meter that's lasted that long; we don't really know if it's going to last, then we're really saying there could be a possibility that we would, in essence, move in that direction, is that correct? And how do we know how accurate they're going to be in the long haul? What tells us that they're going to be accurate?

**MR. DEVEREAUX:** The continuing monitoring and testing that we do...

**SENATOR FLOREZ:** No. Fifty out of 250,000 is not continually monitoring and testing.

**MR. DEVEREAUX:** The utilities have a standard practice—right—of which PG&E and every utility in the United States of periodically and randomly sampling and testing the meters for accuracy.

**SENATOR FLOREZ:** Okay. And the reason this is important for those in the audience and the rate payers is we pay for those changes.

Everybody is scratching their head in Kern County going, *They just put one on and now they're taking the other one out and they're putting another one on.* That's an important thing to understand now, because the rate based structure of this investment is 15 to 20 years. They get to depreciate; PG&E gets to depreciate this over that period. We pay for the depreciation. I mean, there's a lot of issues with how long these meters are going to last, much less the issues of reliability. So I want to make sure that we're clear that there are other technologies on the horizon; there is this RF Mesh based technology; there is Wi-Max; there's in-home displays; there's a whole host of things that make this friendly for the consumer. We don't have any of those today—correct—any of those things that I've just mentioned in our home with your meter?

**MR. DEVEREAUX:** No. The second generation meters do utilize the RF Mesh communication technologies.

**SENATOR FLOREZ:** Do any of us have the ability to utilize that technology to actually save money right now today?

**MS. LOKEY:** Let me answer this part.

**SENATOR FLOREZ:** Sure.

**MS. LOKEY:** Some of the customers in Bakersfield have had the opportunity because they do have smart meters, to take advantage of a pricing plan we have available in this area and other areas called “SmartRates.”

**SENATOR FLOREZ:** We’re going to get into that. But I’m talking about; the reality of this program is if I am looking at my smart meter and I’m Harvey Hall, and I decide I want to know what rate structure I’m at, my simple view of the world....and I think Tony mentioned a good technique as well. But you know on our bills we have rate base, we have second tier, third tier, fourth tier, fifth tier, couldn’t we in this smart meter, when that meter hits it’s at real time, hits a tier. Now I just went from tier 2 to tier 3 and the tier 3 light goes on. I’m in tier 3, I know it, you know it. And guess what? Naturally, we maybe not use as much now. I’m in tier 3. Everybody start putting everything down; turn the lamps off; do whatever we need to do. But we never know—we can’t see it. But you can see it. Then I would say that the SmartMeter is a wasted technology—absolutely devoid of any sort of (applause)....and believe me, I would love for this technology to actually allow us the consumers to have the information to cut our consumption because I think that’s what you wanted. However, right now the rate payers are paying for this experiment and we’re not saving money right now. We’re not using less. We don’t have the tools. I think one of the witnesses said, *Just tell me what to do, and anything I can do to save money, I’ll do it.*

And I think that the smart meter’s true potential are in-home displays; those things that would go right next to your air conditioning thermostat; those things that connect right to our smart appliances; those things that would automatically allow us, if we knew what we were spending, the information....I wrote this thing yesterday. I said, *It’s like pulling up to the gas station putting gas in and not knowing what the price is and somebody promising you that you’re going to get a lower price when you get your bill. And you go, Wait a minute; I want to know what the price of that is on that meter right now. I want*

*to know what I'm pumping into my car.* Consumers want to know with this smart meter what they are actually spending. You know, a lot of folks I've talked to, they like that wheel for whatever reason. When it spins fast they start shutting things—the speed of it. But now it's digital, and I guarantee if any of you go out and look at your smart meter, they're very difficult to understand what it all means. It kind of looks like a jackpot machine, you know. You pull the lever and it's going real fast.

But I do think that on the SmartMeter operations with RF Mesh and WI-Max and in-home displays, I'm very worried of the fact that we are paying for your investors risk—we are. Your investors are waiting for us to finish paying and then when it all finally works, we finally get the benefit but that's after paying 15 years of high rates in order to make this happen. And I think that's the worry from the consumer. That's the real reason, I think, we're here tonight. To say that SmartMeter has nothing to do with increased prices might suffice tonight but it won't suffice when you ask for your next rate increase in a year, because you will be asking for a rate increase for this particular technology. And so, I think the issue is, you know, we are paying for it and I think we want some answers.

Let me ask a few more questions on the performance and the reliability of SmartMeter. I think that's why we're here tonight for a portion of this.

The type of testing you perform on smart meters before you install them—I think I stopped you, Bill, right before that—so when you install them, you go to the factory but you also install them here. How do we know that they're actually being installed correctly?

**MR. DEVEREAUX:** Senator, the way we understand whether the meter has been installed correctly is to look at the performance of that meter immediately after it's been installed. So there's a time period from when the meter has been installed to when we switch over to use it on an electronic basis for reading and billing. And we monitor that meter to ensure that it reads consistently and accurately given the history of that premise until we start using it for reading for billing purposes. In the meantime, a manual meter

reader, just like who has always walked around Kern County, reads that meter until we have reassured ourselves that that installation is reliable enough for billing.

**SENATOR FLOREZ:** Okay. And I think a lot of folks have said...

**AUDIENCE MEMBER:** \_\_\_\_\_ (inaudible)

**SENATOR FLOREZ:** Well, that's a good question. How long does this period go on in terms of making sure they're reliable? What's the period of checking in if you were monitoring? We've got that part—not very often. But the actual installing...

**AUDIENCE MEMBER:** \_\_\_\_\_ (inaudible)

**SENATOR FLOREZ:** There you go.

**MR. DEVEREAUX:** Well, it varies depending on the state of the installation in that neighborhood. The average time to transition a meter from when it's installed to being used for billing purposes today is roughly 24 days.

**SENATOR FLOREZ:** Got you. Let me ask a question. Let me stay on this reliability issue.

And folks, don't worry. We're going to stay on this, so trust me. We're just wanting to get through these. We're figuring out what we have to ask and how we have to ask, and if we need to, legislate in many cases. And god knows, we want to make sure that our PUC gets the message. And they're here right after this. So we'll make sure that we get this focused.

Let me ask you a question about the case that was sent to me anonymously. And I kind of read it and then I had staff read it. But it was a case in—it's called CHELCO. And it was the Choctawhatchee Electric Cooperative, where the meter they were actually using in Florida was actually mis-programmed with a multiplier that read electricity usage at almost double the rate. Have you read that case?

**MR. DEVEREAUX:** I have.

**SENATOR FLOREZ:** You have read it. And can you give me your thoughts on that. That seemed to be, as I read the arguments behind that, the same argument we're having tonight; "never wrong," "never fails," "always

reliable.” But it took kind of like a process very similar and a very tough reporter and a few others really following this to, in essence, say this was not calibrated correctly at the very beginning. And, in fact, the double rate....tell me what your thoughts are on that case.

**MR. DEVEREAUX:** I mean, the specifics of their installations and the process by which they went to program those meters as part of their installation process, I can’t speak to in detail. I can tell you, again, from PG&E’s perspective, that we work very closely with the manufacturers around the quality control of, a) how these meters are configured and programmed for us. And then in the field, the installer then does a series of tests to validate that the meter is measuring appropriately on both sides—both the input side and the measurement side when he installs that meter. And then subsequently as a third step, is the process I described previously of then watching and validating the data that comes from that meter for a period of time until we actually start using it for billing purposes.

**SENATOR FLOREZ:** Okay. Given that, what is failure rate for your meters right now?

**MR. DEVEREAUX:** The meters as they come—they’re tested by the manufacturer in their facility is less than one percent of meters fail their testing and they fail for a variety of purposes—accuracy, damage and defects.

**SENATOR FLOREZ:** And I think the issue is, this is not an ongoing everyday testing, is that correct? So is this kind of a problem—and I think most of my constituents have told me, when there’s a problem you come out and if it’s a real severe problem you replace the meter with another smart meter. So you just change it out and life goes on. I’m talking about the actual meter reliability communication. You also have software. You have a lot of parts that are giving you information. I mean, that entire system that quality control of meters sending the radio signal to you and the software working, how often is that going to be monitored? Is that an ongoing 24-hour? Because I’ll tell you what; if something goes wrong even for four hours, everybody’s bill here goes up high. If something goes wrong in this system, these radio frequencies



aren't working correctly, then everybody pays a little more for that. And so the question is....look, this is a \$2 billion project. Let's just put it what it is. You've got to have true quality control. I'll go to your budget again. I'll tell you it's less than 10 percent. Ten percent of your budget is quality control. Nobody wants to fund a \$2 billion project with 10 percent being quality control when the only quality control means that it's sent radio wave. I mean, that's nutty. That doesn't make sense. You as a company wouldn't invest in a company like that, that only did 10 percent quality control on a \$2 billion project. So the issue is, what are you going to do to bring those standards up in a much better way to assure the rate payers, the customers, the folks that you are giving smart meters to, that that is truly a reliable system? It's got to be more than your word; I'll tell you that right now. And so, it's got to be independently monitored. It's got to have real money put towards testing and monitoring. And a lot more than less than one percent of the Bakersfield meters need to be tested; I'll tell you that much.

**UNIDENTIFIED:** \_\_\_\_\_ (inaudible)

**SENATOR FLOREZ:** Right. That's a good point. But I think we'd ask you to kind of readjust your budget. I do know that you are making vast changes in technology. I'm reading about savings that you are finding today because the declining cost of technology. All of those are savings that you are accruing--\$50 million, \$60 million—I've got a couple of examples. That should be going into your monitoring program. That should be going into your testing program. That should be going into the 50 out of the 250,000. I mean, this doesn't have to mean another rate increase.

**AUDIENCE MEMBER:** \_\_\_\_\_

**SENATOR FLOREZ:** Or, back to the consumers. (applause) I would simply say that's something you have to look at.

Let's move on a little bit to the Smart Grid. I did mention a bit the purpose of the SmartReader. We've got some follow-up things to work on. But what is the purpose of the Smart Grid for PG&E? Give me your vision in terms of what regular customers are getting out of this \$2 billion investment—

90 percent of which they're paying for.

**MR. DEVEREAUX:** Senator, I think in even your comments today (some of which you wrote over the weekend) you've actually talked a lot about those benefits, right? Clearly, just to put the benefits in different categories. Clearly, there is an operational benefit to the utility from the SmartMeter infrastructure.

**SENATOR FLOREZ:** Tell us what those operational benefits are for the utility.

**MR. DEVEREAUX:** It allows us the ability to lower costs in some of our operational areas, which are cost savings that ultimately get passed through to the rate payers through the rate making processes.

**SENATOR FLOREZ:** Okay. Now here's the question I have. And this is kind of the critical part of the investment. And that is, you have tremendous amounts of costs savings.

You don't have to send anyone out anymore to test a meter. That's a labor savings—big labor savings.

You have the ability to shut off people's electricity; that's another savings that you count in your system at \$11 million a year, \$110 million over the life of a 20-year investment.

So if I aromatize on the present value basis—believe me, I've gone through your budget and I've gone through your proposal, and I know what the savings that you are gaining.

But you know, the real issue, and it's a simple question and that is, if you are having operational savings why aren't you, then, paying for the cost of the system out of those savings? (applause) I think that's the question that people have. So therefore, your investors, then, paid for the system out of the operational savings. And then, when it's finally ready to turn on in our house through an in-home display, or it's truly ready to give us the information from a demand side for us to save energy, then the rate payers will be willing to participate. But until that time, I think it's very difficult for anyone here to see the value of a machine bolted to their house that they have no idea how to

read, no idea how to save money with, and they got rate increases—two of them to boot—and they see rate increases in the future to pay for their percentage of this project, and yet, they see the investor taking very little risk until such time that it's up and going. And I think that's the real issue for folks here tonight.

So again I ask you, what is the purpose of this for the consumer—this Smart Grid?

**MR. DEVEREAUX:** For the consumer the intents are threefold. One we've talked about. And we've talked about the value that this information—a consumer being able to see and understand more granularly how they're using usage and how, as pricing changes...

**SENATOR FLOREZ:** And when will they see that?

**MR. DEVEREAUX:** Well, today they can. (audience reacts)

**SENATOR FLOREZ:** Now today they can, but they can only see yesterday's usage not real time.

**MR. DEVEREAUX:** Today they can via the internet.

**SENATOR FLOREZ:** You say today they can, how do they do that? Educate us how they can.

**MR. DEVEREAUX:** So today a customer with SmartMeter can register on PGE.com and see their....

**AUDIENCE MEMBER:** What if you don't have a computer?

**AUDIENCE MEMBER:** I have one; it's not available when I log onto it.

**SENATOR FLOREZ:** Okay. Now these are some of the questions. Go ahead and finish. And then, I think the issue yelled from the middle of the crowd is the issue and that is, if you don't have a computer then what?

**MR. DEVEREAUX:** That's correct. But that's today's answer, right? And as you pointed out, installing the meter sets the foundation for these capabilities. The SmartMeter program, overall, for PG&E is a multi-year program. So what is going on right now in reality is two parallel paths. One is the deployment of the meters. The second is the advancement of the capabilities to use the information from those meters.

Felicia previously talked about an initial program that consumers can have in Kern County that takes advantage of the fact that we're now measuring usage more granularly and being able to take advantage of that via the SmartRate Program.

We understand, and to the point of internet access, that just displaying your usage and giving you that information over the internet won't ultimately be adequate enough. And that as we continue to advance the capabilities both from what we use these for, and how we enable the consumer to take advantage of that is happening on a parallel path.

**SENATOR FLOREZ:** I applaud the fact that this is a futuristic issue that will save us money but I don't applaud the fact that we are paying for it until that time, meaning, 15 years from now or 10 years from now \_\_\_\_\_ technology. What about simple technologies that were currently available? You mentioned the internet for those who have it. But, you know, Mr. Ayon, who is probably going to patent this idea somewhere before now and tomorrow morning, how about a text from you since you have real time usage when you hit tier-2, 3 and 4? How about just something that says, "You're now in tier-2?" I mean, I think more folks have cell phones today than they do computers. And why wouldn't we give, at least based off this information and system, at the minimum give somebody a running chance to know, *My gosh, it's the third week of July and I'm already in tier-4.* And I know what tier-5 looks like; that's 44 cents. So everybody then readjusts. We naturally do because none of us want to get the \$800 to \$1,000 bill. What are you doing to build off current technologies that are available today?

**MR. DEVEREAUX:** Well, certainly, that idea is actually a very good idea. And it's an example of using notification processes whether it be a display device in the home, a text page, an email, whatever to alert consumers to how they're moving through that...

**SENATOR FLOREZ:** And the reason I mention that is; people should realize that when do get those in-home displays and all those wonderful things that will make this work, that's not in your proposal. We pay for that. The

consumer has to pay an additional cost. At least in your proposal it's not all inclusive. This is not something that you're offering in addition to the SmartMeter. It isn't the information in the home. You're coming in not only putting in the smart meter, but you're saying, *I also need to put this in your house so you can see what you're usage is.* This is not available, so I think the issue until that time, at least, utilize something and pay for our texts also if you're going to do it. I mean, how do you give us more information so we don't have to pay the additional cost to make this work? Because I don't see anything in your proposal that you're offering that would allow us to bring our demand use down in terms of any visual displays.

**MS. LOKEY:** There are a couple of things that I just need to tag on and once again say, I agree with you. We could have done a much better job at explaining what Bill just said starting out. That it was a multi-year platform for smart meters. And that you have to build the enabling technology, the enabling capabilities so that we can do those things that you said. So we'll take that full stop. We could have done a much better job of explaining that.

Going forward, it is crystal clear to us that we have to better engage our customers, be better partners with our customers so that as this data becomes available to them, whether they get a text, whether we have a magnet on your refrigerator that turns green, yellow, red, or you call our call center to get your usage because you don't have a PC, that we walk hand in hand with customers to explain how they can use that data and what they can do to control their cost and take it into their own hands.

**SENATOR FLOREZ:** Well, I appreciate that. But let's be clear that when PG&E first asked for this technology there were two rule making processes in this. One was you got the \$1.7 billion in order to build this system, and then there was a supplemental upgrade of \$500 million to, in essence, deal with an issue of what I would call bad planning. There's no other way to put it. Bad planning meaning the system really wasn't going to work with HAN, the home accessed system. It wasn't going to work with some of the future devices. It wasn't going to be resilient enough to deal with broadband and some of these

other issues. So then we did an additional rule making at the PUC where we spent the rate payers another \$500 million—I'm trying to understand your comments from all of you that smart metering is just two-way communication and yet, the first time we didn't get it right; the second time we think we've got it right and yet there are still technologies on the horizon that we still are unaware of how far this can actually take us. And I'm just trying to understand why we did....what would happen there with doing the two step—the \$1.7 billion and then an additional \$500 million that we're paying for? Why didn't we get it right the first time? It's a real simple question.

**MR. DEVEREAUX:** The SmartMeter case in the filings for the smart meter go back to 2003/2004 when the business case and in working with the commission....the concept of home area networking is a technology that didn't exist. The predominant technology at the time was, a) the power line carrier technologies, which is essentially the generation 1 technology that is here in Kern County.

Much of the technology monitoring budget that you've referred to several times here tonight, part of that is actually also the obligation that the commission gave PG&E and the other utilities to monitor and understand how these technologies would evolve over the course of time. So again, if you think from 2003, when the initial discussions originally started around smart meters, some of these ideas just didn't exist yet. And then secondly, we're much too immature to have ever built a robust program around for implementation.

**SENATOR FLOREZ:** And that's the question, I think, of smart meters. And the reason we care about it so much here is we're your experiment. We're the bold frontier in terms of whether or not this really is going to work in California. You are basing most of what you're utilizing on a study that said how consumers will actually take to this technology. And I've read the study. I understand there could be some biases in the study. When you pay people to be in a study, they normally like the study if you keep paying them. It's real simple to me. It's kind of statistical.

But I think the issue I have from the cost side of it; all of these costs, all of these future things that you're talking about, we're paying for that right now though, correct? We're paying the cost of the build out of a system that we have very little benefit for until some point in the future, is that correct?

**MR. DEVEREAUX:** Correct me if I'm wrong from my experts back here, but I believe only a portion of the actual investment of SmartMeter is being directly recovered through rates but the remainder of that is being recovered by essentially the balancing of accrued benefits for the utility against the cost of the program.

**SENATOR FLOREZ:** That's not correct. In fact, let me read you your own proposal at PG&E. PG&E, when you proposed this, you said—I'm going to read you your language from what was approved at the PUC. You said, "PG&E's proposed to changed rates on July 1, 2006 and again on July 1, 2007, 2008, and 2009 to recover the approved forecast revenue requirements for the AMI (advanced metering infrastructure project)." That's what you wrote to the PUC. So you are—you said it here. You're asking for a rate increase in '07, '08 and '09, to pay for the very system we're talking about tonight; a system where consumers have very little benefit from. How do you justify that?

**MR. DEVEREAUX:** Dan, you take that.

**UNIDENTIFIED:** \_\_\_\_\_ (applause)

**SENATOR FLOREZ:** You can step up to the microphone; that's fine.

**DAN PISO:** Senator, thank you. My name is Dan Piso. I work for PG&E. The smart meter increase—there was an increase in rates for installing the SmartMeter program.

**SENATOR FLOREZ:** Okay. Thanks for establishing that because there are so many different opportunities that we didn't get that. So there was a rate increase in order to implement this program.

**MR. PISO:** It amounts to about one percent. However, most of the cost of the program is offset in benefits. The amount that is used to increase rates, is the amount that is not covered by the benefits.

**SENATOR FLOREZ:** Okay. Let's go through that slowly. The first phase of the project, the cost of the meters was \$637 million and \$326 million for installation. That was the first phase the project cost. That's close to a billion dollars. The question I have is where did the money come from? Where did the billion dollars come from?

**MR. PISO:** Again, some of it is operational savings and a small portion of it is coming from increased rates.

**SENATOR FLOREZ:** Right. What percentage of the operational—what percentage is coming from rates of the billion? I have the number; I just want to make sure it matches.

**MR. PISO:** A one percent increase.

**SENATOR FLOREZ:** A one percent increase. How do we get a one percent increase when we are asked to pay 10 percent of the project through demand savings and your own model says 90 percent should be through savings (as you've mentioned) but yet 10 percent will be from demand side reductions from the consumer? How do we get to demand side reductions when we don't have the tools to get there? And ultimately, if we don't get there, is this another rate increase in the making?

**MR. PISO:** The operational savings, Senator, I think are from PG&E's expenses. In other words, their meter readers, for example, those expenses go down. Part of the savings, I understand, is from demand response. I'm not familiar with the precise nature of it. I know that customers have signed onto the SmartRate program, and part of those benefits are coming from that program.

**SENATOR FLOREZ:** Well, let me tell you, I can tell you what it is; it's a 90/10 split, and your 10 percent in terms of reductions by the folks out here in order to achieve, if you will, the budget so we don't have another rate increase is a 35 percent adoption of the demand side reductions. Now I can tell you, and I'll ask you in a moment about our own program experiment here—the peak pricing—I don't think the 35 percent of 250,000 meters in Bakersfield are signed up for the program. And if we're not signed up for the program, then



we're going to severely fall short. And when we severely fall short, I kind of know what will happen in the 2012 or 2011 rate case ask, and that is we will be asked to make the shortfall up. Somebody has to. So how do we, in essence, deal with the fact that these proposed rate increases are ongoing with no....in the old days—everybody remember this here—we used to have a rate case increase, as I remember it, every three years. Not every year; every three years. So now we're at a point, because we're putting in technology, we seem to be asking every year. You say it here, "PG&E proposes rate changes on January 1, 2007, 2008, 2009 to recover the approved workforce revenue requirements for the advance metering infrastructure project." It's clear as day.

So where does the billion dollars come from?

**MR. PIOS:** Again, that's after benefits are factored in. And benefits are not just demand response, Senator.

**SENATOR FLOREZ:** Okay.

**UNIDENTIFIED:** A rate increase is a rate increase. We still have to pay it \_\_\_\_\_.

**SENATOR FLOREZ:** All right. Let's get back to the investors if I could, the investors from PG&E's perspective. When are the investors in this particular infrastructure investment on the hook? When do the investors themselves take the risk? Where do you see in this investment strategy that the investors themselves are participating? Not as a casual 11 percent return partner, but as a true risk partner in a very new technology that seems to be changing very quickly; so quickly we had to change out our meters in a year? So how does one view the investor participation in this so the rate payers can get a little bit of relief? How do you, PG&E, view the investors in this particular experiment—smart meters?

**MR. DEVEREAUX:** So the investor carries the risk of SmartMeter, I would at least in at least two primary areas. One is the achievement of the benefits. And as Dan was describing, the cost recovery model of SmartMeter is based on a commitment that is automatic. Whether PG&E actually realizes

those benefits or not, the accounting structures that have been put in place for SmartMeter. PG&E, for every meter installed, pays into that benefit fund. So right away the investor takes the risk that our ability to realize those operational benefits relative to the commitments that are being paid into the accounting structures for SmartMeter. The second area is the ability of the program to execute within its cost parameters. And if for whatever reason there were variances above the authorized amounts for the program, then clearly the investor is at risk there.

**SENATOR FLOREZ:** Let me challenge both of those assumptions very briefly because I think the investor on the later portion, cost overruns, the PUC approved \$100 million cost overrun program for you. So if you went over \$100 million, it was going to be covered by the rate payers—period. Not by the investors, by the rate payers. That was approved by our PUC in order to give you a running start on this bold experiment. That's one. So I don't see any investor taking a risk there. Not with a \$100 million discretionary fund if indeed you go over.

Two: You mentioned they're taking the risk of the implementation but we the consumers are paying for the equipment. So it's kind of like you take the risk that the equipment will work and function for 20 years, but somebody paid for the equipment; someone paid for the meters; someone paid for the installation; someone paid for the software and the operation of this. We did. So I'm very worried that in this particular experiment that the investor took....I wouldn't say the investor took the 11 percent risk that they're getting in terms of return. I think that the consumer and the rate payers paid a good portion of this bold experiment and there was very little risk. If there was true risk for the investor, then your rate case wouldn't have said \$100 million discretionary fund, it would have said, *You've got to go back to the PUC if you go over and ask our permission to keep going*, and that would be a big risk for the investor to say, *Well, wait a minute now, let's make sure this thing is right. Let's not have to go back to PUC and ask again.* But you got a running start on this. You got

\$100 million discretionary fund. So I don't think that the way this is structured, at this point in time, actually speaks to that.

Let's move on a little bit. I kind of understand what we need to do on this portion of reliability and also the cost functions. Let's talk about, if we could, the rate structure. It was mentioned a lot tonight. (applause) Let's talk about the rate structure.

Tell me about hot weather. Tell me your view of this. Because I've read a lot about it in the newspaper and...

**MS. LOKEY:** It's hot and you sweat a lot.

**SENATOR FLOREZ:** That's true. You're sweating a lot right now too.  
(laughter)

**MS. LOKEY:** Point taken.

**SENATOR FLOREZ:** It's a lot better here than it is in Sacramento, trust me, in terms of questioning. So I don't have my colleagues with me. But let me ask a question about weather because it's something that's been brought up quite a bit. You had six days last July, 17 days this one—give me the explanation for that so I can truly understand what the weather's true effect is on our rates.

**MS. LOKEY:** So when the temperature goes up, people turn on their air conditioners. They use more. That's kind of the effect it has on your usage, right?

**SENATOR FLOREZ:** Sure.

**MS. LOKEY:** So last year at this time I understand there were about six days of high temperature over 100 degrees. This year was about 17 days that were over 100 in July; the way I understand it.

**UNIDENTIFIED:** \_\_\_\_\_ (inaudible)

**SENATOR FLOREZ:** Okay.

**MS. LOKEY:** And also, that there was a streak of about 18 days where it was over 97—97 or over. And the overnight temperature never dropped below 84.

**SENATOR FLOREZ:** Keep going.

**MS. LOKEY:** That said, people are going to turn on their air conditioners. They're going to use the electricity for those air conditioners. They're going to run their pool pumps. And so, the longer sustained temperatures you have over a certain amount, people are going to use their air conditioners and their pool pumps.

**SENATOR FLOREZ:** I get it. So does PG&E know that in Kern County historically that's kind of what happens?

**MS. LOKEY:** It is. Usage patterns are consistent. I will agree with you. (laughter)

**SENATOR FLOREZ:** All right. The reason I want to hear about the weather....the question I have is if you know that, if you know that was going to happen—it was six last July, 17 more this July, maybe next July it's five, and maybe the next July it will be 18—and if you really know the impact that has here, then why implement the rate increase right before the hottest portion of the year? Why actually take the permission that was granted to you in terms of the implementation of the rate increase? Why not find a better way to implement the actual rate increase in a way that would actually take what you just said....and say somebody in the room goes, *Well, wait a minute, that's really hot in Bakersfield in July and we don't want to have this big hearing in Bakersfield and we don't want to get people to get mad because we....*but look, you have the power, the PUC said you got a rate increase, but you have the timing issue. You have the ability to say October, November. Tell me how you thought about that.

**MS. LOKEY:** So the 2008 rate increase was implemented in October of 2008, and it was an average of about 5 percent. And in March the rate increase that we implemented was about 3 percent. So we did implement one in October like you were suggesting, and then we implemented one in March.

**SENATOR FLOREZ:** Why not the next October?

**MS. LOKEY:** You know, candidly I think there are only certain times of the year that we can go in for rate increases.

**SENATOR FLOREZ:** You can. But once it's given to you, the permission. You can implement your timing—you can. Did you see a lot of complaints last October with the first rate increase? Seriously, was there an uprising in terms of that rate increase? Probably not.

**MS. LOKEY:** I don't have that data in front of me.

**SENATOR FLOREZ:** No, I'm asking you as a customer service. You're the head of customer service, did you see a lot of people, in the very first rate increase in October, did you see them this mad?

**MS. LOKEY:** I can't speak to that.

**SENATOR FLOREZ:** Okay, hold on. You've got to speak to it. Your title is, Senior Director of Customer Engagement, so you've got to have some handle, last October when the first rate increase was given, how customers felt about that. I'm not going to let you off that easy on this one. I mean, tell me what you heard with the first rate increase in October.

**MS. LOKEY:** I didn't hear anything, candidly.

**SENATOR FLOREZ:** Okay. You didn't hear anything. So wouldn't it have made sense to do the next increase where you probably won't hear as much again?

**MS. LOKEY:** There are a lot of factors that...

**AUDIENCE MEMBER:** \_\_\_\_\_

**SENATOR FLOREZ:** And this is where the distrust comes in, because if people see that you had an opportunity to implement the rate increase as you did at a different time and it wouldn't have the largest impact that it had in the hottest month when we did have 17 days this year, then we probably wouldn't be here tonight. We'd be mad. We wouldn't be happy with the rate increases, but we wouldn't....so I think that's just something I'm just wondering.

Let's talk about the baseline increases that you have mentioned—a little more detail on this. We went from these rate increases—and I'll just tell you what I have found and you probably will agree—in tier 3, we went from 22 cents to roughly 26 cents (that was a 15 percent increase). In tier 4, we went from 31 cents to 37 cents (that was a 21 percent increase). And in tier 5, we

went from 35 cents to 44 cents for an additional 22 percent increase. So again, the timing of this, that's when we hit our tiers, in July. So when you increase in just those three tiers 15 percent, 21 percent, and 22 percent, that is going to have a huge impact no matter how many days you have. We knew all that. Why would we implement in those tiers, again, that much of a rate increase; that percentage wise?

**MS. LOKEY:** So when we have a rate increase where only the rate structure in California is such that there are....there are five tiers in California, but we're only allowed to implement rate increases in three of them.

**AUDIENCE MEMBER:** Why is that?

**SENATOR FLOREZ:** Right, you do that. I get it. I understand.

**MS. LOKEY:** That's part of energy policy; that there is a tiered system. But if you have increases, the tiers 1 and 2 are frozen so you cannot increase those rates for customers in tier 1 and tier 2. (audience reacts)

**SENATOR FLOREZ:** Let's go through that real slowly. But I do want to mention on the baseline, the up to 130 percent that's locked in through AB 1X....one of your representatives—I don't remember where—said something very interesting to the *Bakersfield Californian* this weekend and they said that our base rate is too low. We ought to be asking for a higher base rate. Was that just a statement out of the ordinary, or is this something that you plan to go to the PUC and ask for? Which I hope I think we'll actually be on the same team on this one—all of us. Is this something that you would consider doing or is this something a lowly legislator like myself would have to ask the PUC? How do you see that kind of moving forward?

**MS. LOKEY:** Well, first the gentleman who said it is sitting over to my left. But secondly, that's something we go and evaluate every three years. So it's looked at every three years during a three-year cycle.

And the gentleman who was up speaking earlier, he explained the methodology to me and explained that we go and ask for changes in the base rate based on the actual usage of the customers in particular areas.

**SENATOR FLOREZ:** Right. Is there any sense that the customers in the particular area that you've mentioned in terms of lifting the base also have seen rate increases in each one of their tiers that they're hit—3, 4, and 5 of 20 percent, 22 percent? I mean, that has got to factor in somewhere. Because if you are raising the rates at the tiers that matter the most to Bakersfield....everybody knows tier 3—you know what that is. Tier 4 is something that people are experiencing now in very large numbers in this town. The question is we never get to that if our base obviously is higher. We get to it, at least, later. And is this something that you'll be willing to work with us on to see if we can actually make a stab at getting that base to where it really should be?

**MS. LOKEY:** Senator, we're happy to work on that with you. There are state rules around how we do that, and the methodology used. So we're happy to work with you on that.

**SENATOR FLOREZ:** Okay, great. Let me ask a few more questions on rate increases. You mentioned two. So how many rate increases have there been in the last year?

**MS. LOKEY:** Let me ask my colleague over here.

**SENATOR FLOREZ:** Of course.

**MS. LOKEY:** Dan.

**MR. PISO:** Senator, there was a rate increase on October 1<sup>st</sup>, a slight rate reduction on January 1<sup>st</sup>, and there was a rate increase on March 1<sup>st</sup> of this year.

**SENATOR FLOREZ:** And what was the justification for the rate increase from 2008 to 2009?

**MR. PISO:** The one on January 1<sup>st</sup>, Senator?

**SENATOR FLOREZ:** Yes.

**MR. PISO:** Again, that was a small reduction.

**SENATOR FLOREZ:** October. Excuse me.

**MR. PISO:** Oh, October 1<sup>st</sup>.

**SENATOR FLOREZ:** What was the justification for that?

**MR. PISO:** Last year there were very high fuel prices. And I think most of us experienced that at the gas pump as well. PG&E also experienced high fuel costs. In October we changed rates to recover those fuel costs. We changed rates to amortize those, we call them “under collections,” installers. We were in the rears for a fuel bill over the next 15 months, so it was amortized over a 15-month period.

**SENATOR FLOREZ:** Okay. Let’s go through that real slow then. The actual percentage rate increase, what was the percentage of increase for those rates? What did we go up to?

**MR. PISO:** If memory serves me correctly, the October 1<sup>st</sup> rate change was 5.6 percent. I’m sorry, 5.9, I believe that was it.

**SENATOR FLOREZ:** 5.9? And I’m just wondering; at least from my view you had 2008 inflation went up 3.8 percent, in 2009 we actually had a negative 1.5 percent in inflation, I mean, we saw deflation. And it seems as though during that time when we have these types of, if you will, inflation is low or deflation, that customers are actually using less energy just for the fact that it’s a bad economy. And so, I guess my question would be why would there be a rate increase if we’re using less electricity? Is that the reason for the rate increase, because we are using less electricity? (applause)

**MR. PISO:** Senator, the increase was because of higher fuel cost.

**SENATOR FLOREZ:** Okay. Now let’s go the fuel cost for a moment. The cost of fuel for natural gas was lower, so it seems as though natural gas was indeed lower, why would we see fuel cost rising?

**MR. PISO:** Again, we’re talking about 2008, Senator, when natural gas fuel and gasoline was quite high. In 2009...

**SENATOR FLOREZ:** It’s lower now, but you got another rate increase. But go ahead.

**MR. PISO:** In 2009...

**SENATOR FLOREZ:** I’m trying to follow the logic here: So go ahead. It was lower....the natural gas cost dropped but fuel costs—go ahead.



**MR. PISO:** Natural gas prices went down. In November or December we hope to provide customers with a bill credit to recognize that.

**SENATOR FLOREZ:** Okay. Let me ask, given that math, so I did ask the question if we're having stagnation in the economy; people seem to be using less; the rate increases are increasing the less power we use, yet the rates are increasing; somebody is staying even in that; but, in fact, PG&E is forecasted to have an excess of \$424 million in generation revenues due to lower and natural gas prices than forecasted from the year earlier, is that correct? That's what your own forecast says. You have \$424 million in generation revenue due to lower natural gas prices—that's your number. You're proposing how to spend it. It's in an application. So I'm wondering, what are you going to do with all that money given that indeed the fuel cost....so how does that even out? So we're not seeing rate increases but an equalization of using that money when times are you've misestimated, at least fuel costs, and then when fuel costs go high we can actually use that as the draw down versus always running to the PUC for rate increases?

**MR. PISO:** Senator, I believe that's what the rate credit is for. I'm not sure exactly the document you're referring to, but I believe that's about the order of magnitude of the dollars.

**SENATOR FLOREZ:** Right. So why ask for a rate increase? It's just a layman's question. But you're sitting on \$424 million, why the rate increase? And particularly in the percentages of the tiers that we currently have? Anyone would ask that if you're looking at \$424 million because of the change of fuel or the change of an input and you're sitting on it now. Why would we ask for the rate increase?

**MR. PISO:** Well, we did think that providing a bill credit for customers was a good thing.

**SENATOR FLOREZ:** When do we get the bill credit?

**MR. PISO:** November or December.

**SENATOR FLOREZ:** November or December. So in November or December; tell me what that bill credit is. What does the bill credit look like in November?

**MR. PISO:** Senator, it's in proportion to the dollars paid by a customer for generation so it varies per customer.

**SENATOR FLOREZ:** Yeah, but what point in time? I mean, people need....there could be an argument. I mean, you've got to explain it to me again because you're the experts. There could be an argument that people need the rate relief now. Just listening to the consumers I've heard earlier, you know, Marisa Banks, her mom got an \$800 plus bill from a normal \$100 to \$200. I mean, there seems to be, in a bad economy, an argument that November money is November money but money today for bills that they didn't count on that you as a company didn't warn them about other than a simple notice in a bill *once*....and all the answer centers in the world are wonderful but I think the real issue for people in the room is if they can get that credit now, why wouldn't they?

**MR. PISO:** Senator, the request for the refund is pending before the CPUC.

**SENATOR FLOREZ:** It's a PUC issue?

**MR. PISO:** Yes.

**SENATOR FLOREZ:** Great. We have PUC up next.

**MR. PISO:** I believe we're going to see a decision very soon.

**SENATOR FLOREZ:** Okay. Are you arguing that it should be paid earlier? I mean, the PUC isn't going to just....I mean, they're going to want to know how you feel about it. How do you feel about it?

**MS. LOKEY:** Dan, my friend, can correct me. Typically refunds are paid out over 12 months and we actually asked to pay it in a lump sum this time.

**SENATOR FLOREZ:** Great. A lump sum in November?

**MS. LOKEY:** Or in December pending the decision.

**SENATOR FLOREZ:** Okay. And what can we do about people's bills now? Can they defer a portion of that until that check comes in?

**MS. LOKEY:** Actually, I can answer that.

**SENATOR FLOREZ:** Not evening out; I'm talking about defer a portion until they can match....you have an idea of what that will be? I mean, is there an opportunity for them to match the match some of that refund for the money that they would be receiving in December and November?

**MS. LOKEY:** Senator, I'd ask the customers, and we'll meet with them after this, to talk to us and let us see how we can work together with them.

**SENATOR FLOREZ:** Okay. That's some progress but I think I would, if possible, it would serve us well if PG&E could write me a letter and please explain to me the processes that would allow them, a customer, to receive that rebate in December or November, *today*. I want to have a letter from your company; please to give me what that process might look like and can you even do it. I really would like a formal letter from you on that. Is that possible?

**MS. LOKEY:** From PG&E?

**SENATOR FLOREZ:** Yes, from PG&E.

**MS. LOKEY:** Yes.

**SENATOR FLOREZ:** Okay. Thank you. So let's just talk a little further and then I want to talk to you about your CCP program—your peak pricing program and I want to talk a little bit about SmartRate. And then I want to turn to Edison, and then I want to get to the PUC.

Let me ask you a question about your fixed costs that you mentioned earlier; the need to raise rates, I think, was mentioned earlier despite what's going on with the economy, despite some of these other issues. PG&E recently filed their 2011 general rate case, correct.

**MS. LOKEY:** Notice of intent to file.

**SENATOR FLOREZ:** Notice of intent. And in that, you're asking for an additional \$1 billion and that's a 20 percent increase. And I think you heard me say earlier that you're talking about a 20 percent growth in your operating budget. You're sitting on \$424 million that you're going to give out later. You're investors are guaranteed a pretty stable 11 percent return on

investment. But why the \$1 billion; why the 20 percent increase in 2011; what's the rationale there?

**MS. LOKEY:** I'm not familiar with the 20 percent number. We did file a notice of intent for...

**SENATOR FLOREZ:** Let me tell you how we get to that and that is, you're requesting an increase from \$5.6 billion to \$6.73 billion, so that rate increase equates to 20 percent. That's your 20 percent rate increase.

**MS. LOKEY:** Okay. Those dollars that we've requested are a couple of things. One, we have requested additional dollars to improve the infrastructure that we deliver energy over to our customers. It's also to improve and maintain the infrastructure, as well as continue the services that customers get from PG&E.

**SENATOR FLOREZ:** Okay. Inflation is near negative percent, our own growth rates are nil, and you're asking for a 20 percent increase in 2011. I'm just kind of wondering; SmartMeter is supposed to save us some money somewhere, right? I mean, it's saving you. You're saying you're going to make up an additional billion dollars in operating cost savings; why would we ask for an additional billion dollars from the PUC and the payers when you can take your operational savings and use it? I mean, I just don't get it. I'm missing something there.

**MS. LOKEY:** And so, for our 2011 GRC, or general rate case, it is a forward looking forecast of the funds that we need to maintain and improve, like I said, our infrastructure and the services to our customers. And unless I am wrong, it's already taken into consideration SmartMeter benefits.

**SENATOR FLOREZ:** Well, your application says you're not going to be able to really take advantage of....only that part that was implemented and then you're going to have to try to figure out in your 2010 to 2012 case how these savings are ultimately going to be implemented so we're still waiting for the shoe to drop on SmartMeter even further. This is just your simple meat and potato rate increase of 20 percent, which I think is somewhat worrisome.

I'm going to let you go. I want to thank you. We'll send you a letter of all of the items that have been gone through here. We have a lot of requests for you as well. And I do appreciate it.

I'd like to know if there is anything I didn't cover in my questions that you would like to cover, at this point in time?

**MS. LOKEY:** If I may. Let me reiterate: As much as we're sweating, we appreciate the opportunity to respond to the questions. We would appreciate the opportunity from our customers, to work with them after this meeting, tomorrow, the next day, the next day, the next day.

**SENATOR FLOREZ:** Okay. Let's start with a simple question then: How long are your answer centers, then, going to continue? I know they opened two days before the hearing. I know they are open, I believe, two days after the hearing, but how much longer are your answer centers going to be in operation at the Marriott?

**MS. LOKEY:** Well, we have—and Terry can speak to this—we have an office here in Bakersfield. We're available to help our customers every day of the year. (audience reacts)

**SENATOR FLOREZ:** Okay. Just so you know, there are issues here in Bakersfield that you probably recognize are special because we are in one of these distinct areas where we are pushing a bold experiment for the state. You are doing other experiments throughout the state. In Livermore you've got a little experiment; you're trying something with technology. But this is the place, the epicenter, of how your program as you implement throughout the state will be successful or not. I mean, I would think you would want to make this your best shining example, because if this isn't your best shining example, it only takes three or four more senators from other parts of the state to go, *I don't want it in my area. I was at that Florez hearing and I'm kind of worried about it because there were a lot of questions that weren't answered and there's a lot of issues we still have to ask the PUC about.*

So I would simply say that in your budget for smart meters you have the following: Customer related contact cost. You have \$32.3 million in your

budget for customer contact related cost—\$32 million. Now to compare, your sampling of meters is only \$2.8 million. So you've got more money in your customer contact for these kinds of issues, these kinds of problems, than you do making sure the meters work right.

So I would say utilize your \$32.3 million that's already been given to you to make sure that everybody here in this audience is taken care of. (applause)

And let me just say a couple of other things before you go.

In your budget, item 15, you have what's called "marketing and communications." And marketing and communication to me means that you clearly would have been, as we've mentioned earlier, on top of this....I mean, you're PG&E. You do campaigns. You do media campaigns. You can take out ads in newspapers. You can do radio spots. You can do talk shows. You can write op eds. You can do all of that. And in fact, we're giving you \$23 million to do all that. But yet, everyone was taken by surprise—every single person in this county got rate shock big time.

And then, when I go back and do the research and I see that you have \$23 million for marketing and communication and that you're the experts; you guys are the PR machine when it comes to, in essence, telling us what our energy use should be and what we should be doing and how to prepare and how to weatherize but none of that occurred in this instance. None of that occurred 'til a couple of days ago. You opened up an answer center at the Marriott. And I can tell you, don't let your superiors in San Francisco tell you, you don't have the money; I'm pointing at it right now. You have \$23 million for this area. And I would expect that you would use a good portion to make sure that....because you folks are paying for it. That's already out of your money.

And I would say to just try to do....you know, the best part of these hearings come from the witnesses. They mentioned: *Can you do a better job of alerting us with your information? Work on our existing technology as we're waiting for the future.* We can do that. We can build off our current technology. I would say to look at that.

And also, you know, I know we have spare the air days but we could do spare the energy days if you just tell us when to spare the energy. And we could do those things with simple ad campaigns. And again, you have the budget to do that.

So I would just simply say that as you start to look at how much you're spending on media campaigns, start here where we're having the biggest amount of problems with understanding your particular approach to the future.

**MS. LOKEY:** Well, one of the things I'd like to explore further as we get back into helping people trust us again, is create some sort of customer advisory group of our SmartMeter users—a users group down here and get the input that we got from the other witness. It's very helpful. And so, that we have the actual users talking to us.

**SENATOR FLOREZ:** Thank you all for coming. Appreciate it.

Now, is Southern California Edison here?

**AUDIENCE MEMBER:** Can I make a statement before they leave?

**SENATOR FLOREZ:** Of course you can. Why don't you come up real quickly. I don't want to start a long line, but I do want you to keep it to the point.

**AUDIENCE MEMBER:** It's not going to take long but I want everybody to hear this because it's important. And, Senator Florez, you were great.

And so, as I heard said all night long...

**SENATOR FLOREZ:** Why don't you give us your name first?

**JAMIE SEAGER:** Jamie Seager.

**SENATOR FLOREZ:** Thank you.

**MS. SEAGER:** At any time such a drastic rate hike would be horrible, but particularly at a time when the nation is in a real depression, when people are struggling to pay their rent, buy gasoline, feed their families, and keep from being thrown out on the streets. PG&E has sent a loud and clear message that they don't care because they hold the ace card of ultimate power (excuse the

pun). What PG&E is doing goes beyond bad faith, beyond gross misuse of power; it is criminal.

Every year we hear news stories about people dying because they were afraid to use air conditioners or a heater because of high electric bills. But even if PG&E gives reduced rates to the poor who apply for it, it will now be calculated on the new higher smart meter standards of measurement and they still won't be able to afford it. Therefore, the yearly number of people that will fall ill and die will go up. Others will be forced out of their homes because of code enforcement ordinances, which was not covered here tonight.

Code enforcement (and I'm going to paraphrase this from their own website): *The uniform housing code requires a dwelling to have power, gas and water. If power is cut off and people resort to the use of extension cords to borrow or steal power, or use candles and butane in place of power and gas, it is considered to be highly dangerous and illegal. If a tenant or a homeowner is found to have this type of condition occurring, the dwelling will be considered uninhabitable. It will be a private and public nuisance. Residents/owners would be given a notice and ordered to restore power, gas and water or vacate within 48 hours. And this will happen. This will increasingly happen.*

If your power is cut off and you are a squatter in your own home, even if you pay your rent or your mortgage, hypothetically, even if we all got very efficient, found ways of saving a lot of energy, PG&E would still find a way of charging us more. Make no mistake; PG&E has made more on its customers because they can. In reality, we are not customers, we are their slaves and they know it. PG&E is defrauding us.

Now, I have been an investigator for a lot of years. I sit across a table from people who have lied to me. They are lying. They are committing fraud.

**SENATOR FLOREZ:** Okay. Thank you.

**MS. SEAGER:** Thank you. Sorry I got so emotional. And you were wonderful Dean Florez.

**SENATOR FLOREZ:** Thank you for your comments. And we are not done. I would ask the line to let me finish with the PUC, please because I'm



trying to gather information and create a record for real actions. And I do appreciate all the comments, but I would like to at least get through to the PUC, if I could, for forbearance.

(Senator informs audience he is not going to take further testimony until later)

Edison, where are you? I have three questions for you. One, I don't have enough time to give you the type of questions I gave PG&E, but I would reserve the right to have a hearing with you because you're about to implement a good portion of your program in my county, the largest city in my district, which is Delano. And I think you get the gist, right?

**UNIDENTIFIED:** I think so. I've listened and learned, Senator.

**SENATOR FLOREZ:** But that doesn't mean you're off the hook. So I want to get to the PUC, and I want to get to TURN, and I want to get to some other folks.

Your implementation of this is probably, I hope, a little different than PG&E's. I would begin your campaign to do whatever you've got to do. But we need to have a separate hearing with you. Is that okay with you guys?

**UNIDENTIFIED:** Sure, that's fine.

**SENATOR FLOREZ:** You got off the hook tonight but we will be back at a time certain and we want to talk to you. Maybe we'll do this in Delano so those folks can really understand what you're doing as well, early. Alba will be scheduling it.

I'm sorry to drag you all the way out here but you know, I think you heard where I'd be going with you in a month or so.

**UNIDENTIFIED:** Okay. Very good.

**SENATOR FLOREZ:** Thank you. Let's get to the PUC, if I could. Let's go ahead and have Matthew Deal and Drew Cheney. Thank you for coming.

Okay, the same format. I just have a few questions for you; not as much as PG&E, but a few.

Let's start with introducing yourself, first and foremost, and your titles.

**DREW CHENDY:** My name is Drew Cheney. I'm the Northern California Outreach Officer for the California Public Utilities Commission.

**MATTHEW DEAL:** And my name is Matthew Deal. I'm Energy Advisor to President Peevey.

**SENATOR FLOREZ:** Great. Let's go through this. Let me start with the assistant to President Peevey. Who asked for this program, the PUC or the utilities? Who started this? Did the utilities come the PUC? Did President Peevey decide that he wanted to implement this? I mean, who was first in this issue?

**MR. DEAL:** I believe the state took initiative on this back in, it might have been before '03....I'm not exactly certain of the time....through the energy action plan and things of that nature.

**SENATOR FLOREZ:** You're going to blame it on the state, huh?

**MR. DEAL:** I am. It's the agency that I work for. One portion of the state.

**SENATOR FLOREZ:** The state meaning the PUC, or the state meaning the California Legislature?

**MR. DEAL:** The state meaning the PUC and the Energy Commission in combination.

**SENATOR FLOREZ:** Okay. I just want to make sure we're clear. So the PUC and the Energy Commission, appointments and approved by the Legislature, correct?

**MR. DEAL:** Correct.

**SENATOR FLOREZ:** In which two appointments are up for renewal, correct, for another year? These decisions were made, but I'm again trying to get an understanding of what came first; did the IOUs come to you and say, we absolutely have a burning desire to implement this SmartMeter program or did the PUC want to see this implemented in order to match some sort of Smart Grid technology for the future? I mean, I just want to get, really at the end, who was pushing this particular project.

**MR. DEAL:** I'm going to take a risk here and speak about California before my time in California. But I believe that it was a joint decision and effort put forth by the two energy agencies to get the ball rolling and to examine looking at how to put demand response on a higher level and add to the energy goals of the state.

**SENATOR FLOREZ:** Okay. So, in essence, it was a reaction to the energy crisis we had in 2000 in order to try to get better control of our energy grid in a much more reliable way and to try to deal with peak prices and all those other issues, correct?

**MR. DEAL:** Correct.

**SENATOR FLOREZ:** So that's the genesis of it—in 2000—and then we kind of proceeded on. So then the CEC and the PUC, then, again asked for proposals from the utilities? The utilities came in and said, *Here's our....* I mean, I'm trying to understand, did you ask for the IOUs to present this?

**MR. DEAL:** So what the PUC did is, I believe, we conducted a rule making that set up minimal functionality and goals for this technology to meet and then set up those criteria under which we sought proposals from the utilities. And I think you've covered some issues to date.

**SENATOR FLOREZ:** Let me try to get more precise. Could PG&E have just come back and said, *This cost too much. We can't deploy it unless we ask for a rate increase. Can't do it?* Would the PUC have said, *Thanks for looking into it; let's move onto other issues; let's put in smart thermostats; or, let's put on some sort of controls on air conditioners or some other technology that is currently existing?* Could the utilities have come in and simply said, *We looked at it. It isn't affordable. It offers no savings to rate payers, so therefore, we're out?* Could they have done that?

**MR. DEAL:** I think if that was plausible, I don't see that that would be an unreasonable position for any of the utilities to have taken. I think through the proceeding it was demonstrated that that wasn't the case. But I'm not

really in a position to say what the commission may or may not have done six years ago.

**SENATOR FLOREZ:** It may have not been the case if the PUC wasn't going to give them the necessary approvals for a rate increase to do this, right? So if the PUC set the standard and said you've got to do this but all of the operational costs that you're going to produce out of this system is going to pay for the system. In other words, the rate payers are the last to the table. Would this project have even been produced if the PUC didn't grant some sort....I mean, even the PUC made some exceptions. Let me mention one. You mentioned the criteria.

The PUC's original criteria at the very beginning of this, as I remember it, was that they were going to have open source architecture in terms of anyone starting to implement this. In fact, this was Mr. Peevey's major statement in this. He said, *Whatever we do, we've got to have these critical standards, and by goodness, all these IOUs are going to have open technology*, and yet you approved closed technology. Okay, I don't get that. Why is that? If you set criteria, why don't you follow it?

**MR. DEAL:** I guess I'm not really clear on what you're defining as closed technology because I view that the technology that has been approved as being a stepping stone to build off of...

**SENATOR FLOREZ:** No. Your own application said, *Despite the fact that its IOUs are instituting proprietary closed systems, we're going to let this go because we cannot wait for the future*, in essence. I mean, this was a big push by the PUC to move in this direction. This was, you know, you could have told the IOUs, you could have told PG&E, you could have told Edison, *You know, we're not going with this right now because the open source technology, the inoperability standards aren't here yet so, therefore, the rate payers will have to pay for their own system at some point in time to make this work*. That didn't happen here. What happened here is that you created criteria and you broke your own rules.

So the issue is, again, what is the driving force behind this? I mean, who is pushing this? I mean, you mentioned the CEC and the PUC, and I'm just wondering again, if the IOUs would have come back and said, *Look, there is no way we can do this. The technology isn't there. We can't do it in closed architecture manner. Inoperability standards aren't there. No one is going to see an in-home supported system in their house for years to come. But if you want us to build it, we can. And the only way we can build it is for you to give us the necessary rate increases to make this happen.* Is this the path that this took?

**MR. DEAL:** Again, I'm struggling to opine on things that happened long before I was here but the decision is what it is. The commission set up functionality; set up criteria. It had a proceeding. It had a proposal. It said, *You know what, it doesn't fit our bill but we're going to approve it anyway. We're going to march forward because we feel it's valuable to the state.*

**SENATOR FLOREZ:** No, I get it. I guess what you're telling me is I need to have a conversation with Mr. Peevey, because he needs to come here and spend some time explaining to us, in essence, how this system, in his mind, was supposed to work, and ultimately, is the structure of paying for it correct? Because I don't think there's anyone in the room against any sort of system that saves them money. Let's start there.

And you said it right at the beginning of your opening. You said the demand side applications of this was the original reason we began this bold experiment, and that was to give consumers a real time picture of what energy usage looked like, so they could make a choice. So I could look on my wall and say, *Wow! Energy right now is 11 cents. Think I'm going to turn something on. Wow! Energy level at this point is 44 cents. Think I'm going to start turning things off.*

Given the peak pricing issues, and the timing of this new real-time hourly information, minute-to-minute information, it seems as though the experiment would have been a good one, and still could be a good one. But the problem I have is the fact that we're paying for this so early in the pioneering stage, and I would just like the investors to pay 90 and for us to pay 10. And

that's just an opposite view of it. And I think that's the real issue as we start to look at the PUC.

Let's talk about the two-way communication for this system we've talked about tonight. Do you agree that the home area networks, the capabilities that made PG&E go from switching, if you will, from one of the old meters to the new, is that supposed to provide information, in your mind, with energy choices to consumers? Does that give them the ability? This is the PUC's vision that folks have these in their homes?

**MR. DEAL:** Do the meters that are currently being installed do that? Yes, to the extent that it does do interval metering. Granted, it's a little bit delayed. It's not optimal yet. But we're building on it. The meters are serving as....getting the backbone in place, and the other pieces are soon to follow.

**SENATOR FLOREZ:** Okay. Now, this is the key....I mentioned earlier about the PUC starting this experiment with some criteria, and then everybody kind of worked towards that. Does the PUC have any criteria or standards in place for the home area network, at this point in time?

**MR. DEAL:** The PUC I do not believe does. The CEC has established certain criteria I'm not...

**SENATOR FLOREZ:** Then, aren't we heading down the same rocky path again, where the PUC isn't, in essence, studying very strong nonchangeable standards for what they would see as home area network standards? And the consumer is again behind. You know, I'm just trying to understand what the PUC's role is in terms of advancing it; yet, we're not setting standards ultimately that we believe should be there for the consumer. It's like any project in California I've seen in my 12 years. It's vendor-driven. The worst thing that could happen to anything; vendor-driven inoperability, closed architecture, proprietary, and then at the end of the day, the consumer pays for all of the devices that should have been part and parcel of the original SmartMeter installation. And so, that's my worry with this.

Is that where we're going, from the PUC? Is that where you want to go?

**MR. DEAL:** I don't think that's where we're going, and I don't think that's where anyone necessarily wants to go. I believe it's just....one of the situations with general communications is that they're evolving so rapidly. As we saw with the standards that we set out beforehand, by the time we got to figuring out how to implement those standards, they were, in essence, certain ones of them were obsolete.

**SENATOR FLOREZ:** I got it. But then, why do it now? We're about to install 17 million new meters in California by the year 2012—17 new meters. And the issue is, you know, that's a big, big shift for us. And I get that everyone's moving in that direction. Everyone's talking about the Smart Grid. Our President's talking about the Smart Grid. Everybody's talking about the Smart Grid. How do you view these increases, though?

You know, I mentioned earlier, PG&E's \$1 billion "ask" coming up, in terms of trying to find....of course, they're funding bricks and mortar, but this system is going to somehow continue to be paid for by the ratepayers. How do we authorize a rate increase with those kinds of "iffyness," if you will, out there? It might come about. How does one do that?

**MR. DEAL:** I think at some point you have to weigh pros and cons of arguments placed; determine what is plausible, what is not. No one can accurately predict the future, or I think we'd all be very, very rich individuals. At some point, a decision has to be made. Sometimes you just have to put a stick in the sand and move forward.

The idea is, with the smart meters, especially PG&E's upgraded meters, is that they should be good for a long time, they should be able to be updated remotely with software, they don't need to be physically replaced, and that's sort of the new element that the commission is trying to bring into this advanced metering infrastructure.

**SENATOR FLOREZ:** Okay. With all due respect to both of you, given where I'm going with this and the genesis, I think this would probably be a better discussion with the commissioner himself. And the reason I say that, Matthew, isn't necessarily because you're not answering my questions, but my

original questions stem from the 2006 decision, and there were a lot of assumptions. If you read the PUC proceedings and the testimony on both sides, and even the ratepayer advocates' arguments on where we should be, it seems to me that Mr. Peevey seems to be the architect, in my view, of this system. And I think it would be better for me to go down this road in questioning—and I've got a lot of questions and I'm looking at them, and all of them stem back to 2006 and 2007—and I would like to hold them, if I could, to make sure that I can get a lot of these things answered.

Let me give you a sum of them: Why did you approve \$23 million for marketing? Why did you approve \$54 million for acquisition? Who ultimately made the decision for the turnout and the \_\_\_\_\_ decision when we first started with that standard at the beginning?

These are all very genesis type questions, because I think everyone wants to know at some point in time, where did this come from, and ultimately, who was calling the shots to make this system a workable one? I asked you the very threshold question: Who came first, the IOUs or the PUC? And I think we need to figure that out, because if it's the PUC, then we're going to continue to grant rate increases to see their vision done. If it's the IOUs, they're going to continue to seek approval for rate increases from you, and maybe, hopefully, you'll say, *Well, wait a minute; let's really question this.* But if the genesis is from the PUC at the very beginning, we're in for a long road of rate increases. That's my worry.

So if I could, I'd like to just continue to have this discussion with Mr. Peevey in a hearing in Sacramento, if that's okay with you.

**MR. DEAL:** This is your hearing, so.

**SENATOR FLOREZ:** Thank you. I appreciate it. Thanks for coming to Bakersfield, though. I appreciate it.

**DREW CHENCY:** Excuse me. Senator?

**SENATOR FLOREZ:** Yes. Drew.

**MR. CHENEY:** I'd like to put something out right here. As the outreach officer for Northern California, if you all have this nice agenda and a pencil, my



job—you saw me scribbling furiously. I'm taking notes because we at the outreach team, we act as the eyes, ears, and mouthpiece of the PUC. The eyes saw a lot of people here. The mouth is talking now, and the ears need to start working. So I want to give you my email address. Are you ready? So please email me with anything you'd like to send our way. Email address is dwc (that's delta, whiskey, Charlie) @cpuc (Charlie, poppa, uniform, Charlie) dot ca (Charlie, alpha) dot gov. That is golf, Oscar, Victor. So [dwc@cpuc.ca.gov](mailto:dwc@cpuc.ca.gov). And please, this is something we take very seriously. We want to hear from you. We need to hear from you. Obviously, you're very impassioned about this. Please, email me. I'm not kidding.

**AUDIENCE MEMBER:** \_\_\_\_\_(inaudible)

Go to the library. I mean, there's ways you can get it to me, but we really do want to hear from you.

**UNIDENTIFIED:** I was told by the CPUC my only option was to move out of Bakersfield because it was a hot place to live. I was told that by the CPUC when I called to complain. My only option is to leave Bakersfield, it's hot, get used to it. And then I was hung up on.

**MR. CHENEY:** Ma'am, honestly, I am sorry.

**SENATOR FLOREZ:** Let's do this, Drew, if you could. You gave your email out. If anybody else wants to follow up with the PUC, please contact our office. We are very accessible, and will make sure....believe me, we're going to have a larger hearing on this with the PUC, just as we did with PG&E, but with all respect to Matthew and Drew, I would very much like to have the principals here to ask the questions that we need to get to some motivational issues.

**AUDIENCE MEMBER:** \_\_\_\_\_(inaudible)

**SENATOR FLOREZ:** All right. Thank you, PUC, and let's go on, if we could, to TURN. Mark is here. Mark, come up to the microphone, if you don't mind. Just one person at a time. And then I'd like to hear from Dexter from the Ratepayer Advocates Commission. And then I would like to hear public testimony. And I'm willing to sit as long as you guys want, to see kind of where we go from here.

So why don't you give us your perspective, Dexter, what you've heard and maybe give us your thoughts. Mark. I'm sorry.

**MR. MARK TONEY:** I'm Mark Toney. I'm the executive director of TURN, The Utility Reform Network, and I'm very pleased to be here today.

Thank you for setting up this hearing. I also want to thank the residents of Bakersfield for inviting TURN. We have received almost 100 complaints to the TURN office. That's why I'm here tonight. That's why we have a team of people who are going to be doing interviews and documentation of these problems the rest of the week. You can sign up outside. There's a table. Because we need to get to the bottom of this, and the only way to get to the bottom of this is to do case-by-case documentation so we can prove that there is a pattern of defective meters. We believe the meters are defective.

**SENATOR FLOREZ:** Mark, can I interrupt you?

**MR. TONEY:** Yes.

**SENATOR FLOREZ:** Why don't you give us a little bit more information on your organization; ultimately, what is the nature of your organization? What you're supposed to do.

**MR. TONEY:** Sure. TURN is a ratepayer advocate organization. That means we represent customers who have to pay the bills. And so, we fight at the Public Utilities Commission on a regular basis.

And when it comes to smart meters, we have fought smart meters from the start. We have from the very beginning believed that smart meters are a dumb idea. It's a waste of money. It is very smart for the utility company because it cut their costs and it allows them to shut off people without even going to their house. It's smart for the investors because it increases their rate of return. It's smart for the manufacturers of smart meters. But when it comes to customers, it is a bad way to spend money. We do believe it's important to invest money on saving energy, to invest money on reducing greenhouse gases. But we believe that most customers want the most green for the least green, and that's what we have been fighting for throughout the

years. And on the smart meters, we have fought them from the start, and we are still fighting them.

**SENATOR FLOREZ:** Let me ask you a couple of questions. Thank you for that.

From what you've heard tonight, particularly on the demand side, the consumer side, the customer side, in terms of lowering their energy costs by having real-time information—that's the whole purpose of the smart—what do you think about that? I mean, how do consumers get this information at some point in time? Do you see it ever getting to them? Do you see us moving in this direction?

**MR. TONEY:** We believe that it is based on a false premise that the best way to save energy is through individual behavior modification. We believe the best way to save energy is to invest in things that are automated. So we support the Air Conditioning Cycling program, because that's a program that allows people to voluntarily sign up to have PG&E cycle their air conditioning system—divide it into zones—and to cycle it every 15 minutes on hot days. The people that belong to TURN that have signed up say that because it cycles every 15 minutes in different zones, it's almost not noticeable for the whole house, but it saves a third of the energy. That's the kind of thing....and it's a \$50 device. That's the kind of thing.

We support true energy efficiency; insulation, painting roofs white, things like that work on a regular basis to bring down people's bills. That's the kind of things that we support that cost less but have a greater immediate return.

People, when they pay more in rates, want to see immediate return, not 20 years from now; they want to see it this month and next month and the month after, and they deserve it.

**SENATOR FLOREZ:** I like your perspective in terms of educating, from PG&E's perspective, opening the answer centers. What is that, in your mind, going to accomplish, at this point in time?

**MR. TONEY:** The best thing about the answer centers is that they do have useful information. I did go down myself, today, to pick up information,

and some of it is useful enough that we're going to pass it out when people come to visit with us, okay? So I do believe in the importance of education. At the same time, it falls so short of what PG&E ought to be doing.

If I could be so bold as to make a couple of suggestions. First of all, I believe from a corporate standpoint that it was mistake of PG&E not to send senior executives to this meeting; people who have authority to answer questions and authority to make commitments. It is a matter of record that the CEO, Peter Darbey, does earn 10 million a year of ratepayer money. I believe that he should have been here to answer questions directly and justify his decisions. That's my opinion.

But I do think there are a number of things that really can be done, if I could start. One is, I think PG&E ought to make a commitment to test every smart meter for every person that is here tonight. If people cared enough to come tonight, that is the least that PG&E can do.

The second is bill protection. PG&E, when they have their SmartRate program, has bill protection, and if your bill is higher under the SmartRate program during the first year, you're protected from paying the higher rate. I believe that one year from when your smart meter is installed, that PG&E should offer that same bill protection; that people's bills should be protected for one year and you should not be charged anything more than last year, and if you are, you're owed a rebate.

Three. When there's hot weather—I have a couple of things to say about hot weather. One is that when there is hot weather that's unusually hot, and a lot of people go into tier 5, it means that PG&E usually has an over collection of rates. Okay? They collect more than they're authorized, and they later have to refund it to customers. I think that PG&E should target that to the regions that were the hottest, so that it is cities like Bakersfield that ought to be getting those rebates.

Let's say something else about hot weather. Bakersfield is not the only major city in San Joaquin County that has had hot weather this summer. We looked at Fresno's records, okay? because PG&E talks about how Bakersfield

had 17 days over 100 degree temperature in the month of July 2009. Well, it turns out that another city—Fresno—had 18 days in July that were over 100 degrees. And here's my question: If smart meters had nothing to do with the rates that people are being charged, why have we not had so many complaints from Fresno? I know for a fact that TURN has not....we had nearly 100 complaints from Bakersfield, and we had virtually none from Fresno. It would seem that Fresno being in the same basic weather pattern, that there would be people upset in Fresno about rates. The only difference between Fresno and Bakersfield is the installation of smart meters. That's why, it just seems in my mind, there is something wrong with these smart meters.

Now, you know, PG&E said that they've done an investigation of the smart meters and—surprise! surprise!—they have found nothing wrong with them. We believe there needs to be an independent investigation; an absolutely unbiased independent investigation that the people who oversee it include Senator Florez, includes TURN, includes people from the community, so that it is transparent, okay? and independent, and that until that investigation is done and the problem is fixed, there needs to be a moratorium: no new meters for the whole state until that investigation is done.

Here's the other thing. There was a question asked about what happens if these meters don't last the full 20 years? What if in five years they say, *Whoops! We need another billion dollars?* What if *We just need another billion dollars?* We need a guarantee from PG&E that if that time comes, that they will not come to ratepayers; that it is the shareholders' turn to pay for any upgrades for 20 years. We've already paid, okay?

I need to say a couple of things about rates. I have to say something. You know, this 20 percent rate increase request—the billion-dollar general rate case that Senator Florez brought up. Well, you know what? It's a three-year case, and that one billion dollars just applies to year one. In year two and three, it's escalated so that over three years, it's actually a \$4 billion rate increase. So that's one thing to understand. It's actually 4 billion, not 1 billion. One billion only counts for the first year. But it's not like they raised it

in one year and then years two and three it goes back down. Doesn't work like that. It goes up. Escalates. So that's one.

The second thing, the claim that PG&E needs the money for infrastructure, for transmission, for distribution; that might have some weight except for one thing: PG&E already has a request for \$2 billion for infrastructure. And in fact, that's being decided right now by the CPUC. So unless they are attempting to get double paid—I wouldn't put that past them—then to say that the justification for the general rate case is the same thing, rings somewhat hollow.

And you can stop me to ask questions whenever you want or tell me to shut up anytime you want, Senator Florez.

**SENATOR FLOREZ:** You're doing fine. Go ahead.

**MR. TONEY:** Well, if I could say just a few other things. This is just for basic information. One of the things that's, I think, extremely important is that communities like Bakersfield have very little voice historically in policy in California. And I've had the good fortune of coming to Bakersfield before. I really like Bakersfield a great deal. But I got to tell you that one of the things that you could do is to demand that when they have public participation hearings, when the CPUC sets up their schedule of public participation hearings, that you would join TURN in demanding that there be one in Bakersfield. Not in Sacramento, not in San Francisco, not in Fresno, but that one here so that you can speak your voice directly to the commissioners.

**AUDIENCE MEMBER:** \_\_\_\_\_(inaudible)

**MR. TONEY:** Well, we will work with you on that. I am committing to work with you on that. That is my commitment, okay? And I'm sure Senator Florez will do the same.

But here's the thing, the bottom line. Here's the bottom line. The bottom line is each individual customer, what PG&E would like in order to solve the problem is for each individual customer to contact PG&E one by one, because if that's our only strategy when we complain—one on one—then they will always have more power than one customer. And the only thing that

makes the difference is when people get together, come to meetings like this, join organizations like TURN or other organizations that combine. We have 15,000 members statewide. That's part of why we have some impact. But you know? We can't do it alone. It really takes people pulling together the same direction, getting educated about rates, about billing, and about policy, and about consumer protection policy, and about regulation. So those are some of the things.

And I just have two more points. One is in terms of policy. I want you to keep your eye out for something. Somebody brought up the inherent power that PG&E has because they are a monopoly, right? And one of the few things that threatens PG&E's monopoly is something called Community Choice Aggregation. It's when people decide, in communities, that they want to buy power collectively. Now, TURN has never taken a position on this. We have always been neutral on these. We figure it's up to local communities to decide. It's their business. But PG&E has a ballot initiative that they are qualifying that would basically kill any competition, any opportunity or chance, of municipal agencies of Community Choice Aggregation to compete at all. So that's something you should look at and figure out if you think that's in your interest.

**AUDIENCE MEMBER:** \_\_\_\_\_(inaudible)

**MR. TONEY:** It's going to a ballot initiative. You would get to vote on that. So that's your decision.

And I'll tell you one other thing. People have complained about the CPUC, okay? And that's your right. You have to decide whether you think the CPUC is representing your interests if it's the California Public Utilities Commission. And if you don't....the commissioners, in fact, are appointed to six-year terms. They're approved by Senator Florez and his colleagues. If you believe that the CPUC is not representing your interests, what you should know is that there are two commissioners right now who are up for reappointment, and the Senate has not made a decision. So that is another

place where you can add your voice and say what you believe and whether you believe they deserve to be reappointed. That, of course, is your decision.

Anything else that you would like me to cover?

**UNIDENTIFIED:** Who do you appeal to?

**MR. TONEY:** You would tell Senator Florez, because he represents *you*. So you would let Senator Florez know what your feeling is on that. He is your direct representative in the Senate.

**SENATOR FLOREZ:** Thank you, Mark. I don't think you were thorough enough—[laughter]. No, I want to thank you for your testimony. I very much appreciate you working in the Bakersfield community, because I do think it will take some education processes, as well, some advocacy you mentioned, all these nine great items. So we've got them down as well, and I appreciate you coming.

**MR. TONEY:** Thank you very much, Senator.

**SENATOR FLOREZ:** Okay, let's have the representative from the Division of Ratepayer Advocates.

**MR. DEXTER KHOURY:** Hello. I'm Dexter Khoury. I'm here from the Division of Ratepayer Advocates.

**SENATOR FLOREZ:** Now, tell us what the Division of Ratepayer Advocates is supposed to do.

**MR. KHOURY:** We're an independent consumer advocacy group that's set up inside the Public Utilities Commission. And we work on many cases with TURN, and scrutinize utility applications and come up with our own recommendations.

**SENATOR FLOREZ:** Okay. What was your position on smart meters in 2006, when this was approved?

**MR. KHOURY:** We were generally supportive of it, but we tried to come up with ways to improve it and reduce the cost. Oftentimes, we were concerned about the cost of programs and trying to get more bang for the bucks and improve the program.

**SENATOR FLOREZ:** You are paid by the ratepayers, correct?



**MR. KHOURY:** That is correct.

**SENATOR FLOREZ:** To advocate on their behalf. Correct?

**MR. KHOURY:** Also correct.

**SENATOR FLOREZ:** And you are the constant in the PUC to do that. Correct?

**MR. KHOURY:** Yes.

**SENATOR FLOREZ:** Okay. And I asked you where you stood on smart meters at the beginning, and your answer was “generally supportive” but with some nuances. Is that a fair characterization?

**MR. KHOURY:** Yes, that’s correct.

**SENATOR FLOREZ:** Okay. Now, what have you heard tonight, and what do you see around you?

**MR. KHOURY:** Well, it’s obvious: I see a lot of anger here tonight, a lot of skepticism, and I will...

**SENATOR FLOREZ:** So when you step into the PUC’s building tomorrow, what is going to be your first comment?

**MR. KHOURY:** I will tell everyone that people in Bakersfield are a lot angrier than anyone could have imagined in San Francisco, where it’s not as hot as it is here, where we have our natural cooling, and I’ll let people know that you are very angry and people need to hear that.

**SENATOR FLOREZ:** Okay. Let me take a step further. May I request from you, since you are paid by the ratepayers, to convene every one of the commissioners/chief of staffs to a meeting that you head and you please let them know that people are beyond mad here in Bakersfield. They are justifiably dumbfounded, with very little answers on a program that means very little to them that they’re paying an enormous amount about. And I’d like you to convene them and I’d like to see if we could conference call with them, myself. So I’d like to see if not only we have Commissioner Peevey’s person here tonight, but I’d like all of them to have a flavor for what we thought took place tonight, and I’d like to go through some points with them, and then I’d like to talk to all the commissioners individually, which I will do. But I do

think that we need to—you as the ratepayer advocate, need to, since you work in the same building, I assume—correct?

**MR. KHOURY:** That's correct.

**SENATOR FLOREZ:** You see these folks—different floor, but you see the folks all the time. Correct?

**MR. KHOURY:** Not as often as you might think.

**SENATOR FLOREZ:** Well, we're going to make sure you see them a lot more often, because I think anybody who just looks at your title—you are the ratepayer advocate. I did read what you....you did generally support smart meter, with some nuances. One was in terms of the peak pricing. That was great that you guys asked for time of use. Types of rates that I think made a lot of sense for people in Bakersfield if, indeed, it's implemented in the correct way. I also thought you fought for a lot of issues that even TURN would agree with and did agree with you on a good portion of them.

The problem is, is now the program seems to be heading off in a direction with a few breaks. I will tell you right now, we're looking at some legislation to question this particular process of smart meters being put in and try to understand what the nuances are. Where do you stand on automatic shutoff? One of the advantages of smart meters now is they can actually turn your electricity off with a flick of a button; before, they'd have to go to your house and notify you. And there's still notification process in this turnoff situation. But I notice that it was quite a big savings—\$11 million a year; \$110 million over the course of the project—for them just shutting off your electricity. Now, I never understand how someone could score savings. I must assume that they're going to turn your electricity off, right?

**MR. KHOURY:** Right.

**SENATOR FLOREZ:** Because if you're scoring \$11 million of savings, or at least some cost differential in that, what's your position, the Ratepayer's, on that? In New York it's illegal to do that. There's actually a law that doesn't allow them to turn off folks' electricity.

**MR. KHOURY:** There certainly are rules on how to shut customers off. DRA has not discussed this issue. I personally would be against remote shutoffs because it's too easy to shut someone off that way, even following the rules.

**SENATOR FLOREZ:** Exactly.

**MR. KHOURY:** But I don't know. That's not an official DRA policy.

**SENATOR FLOREZ:** But can you start to look into that? because I think it's one of the negatives about the program at this point in time, is this shutoff. As most of you know, there is that last chance, when they do go to your house to physically shut off, to work out a deal. And a lot of poor people in this county work their deal out on a doorstep. Very hard for people to do that when it's shut off somewhere downtown, and they now have to work through the process to get it turned on. And a lot of those folks, in many cases, even though they may have gotten what they believe were notices, you know, there's still a great issue with that in terms of notification.

So I want to ask you if we could begin to work with our office on that. We think there's great significance in automatic shutoff, and particularly when it's \$110 million savings out of a billion dollars. You're spending more on savings in shutoff than you are checking meters—\$2 million. Something's wrong with that. It's inverted. So I think, you know, if you will work with us on that, we would appreciate it.

**MR. KHOURY:** I would be happy to. And I'm happy you brought that up. I would love to work on that.

**SENATOR FLOREZ:** Great. And then, let me ask a final question, if I could, and that is, what is your thought on smart meters today, some four years later? ten years? I mean, it was 2006. Is this a viable program, from your perspective?

**MR. KHOURY:** I will have to speak not as an individual, but as a representative of DRA. DRA is still hopeful that good things can come out of the program. It still needs time to unfold. There is one good thing that PG&E is going to propose shortly: peak-time rebates, which would be similar to the

20/20 rebate programs of a few years ago. It would be sort of like a “Spare the Air” day. A notice would be given to cut back on your usage, and if you cut back below what you used in a similar timeframe, you would get a discount and an instantaneous rebate to your bill.

**SENATOR FLOREZ:** Well, before you get all excited about that, you are our advocate, and that program basically costs us 60 cents; it’s a lot higher than 44 cents on those 75 hours or 15 days, whatever the days are. And the notification in that program is up to you, the consumer, to say you got it. So if somehow you didn’t get it, if you didn’t get the text, you didn’t get the email, you didn’t get the call, then on any given peak day, you’re paying over a dollar. Why would we...

**MR. KHOURY:** Okay, you’re talking about the critical peak pricing rate. This is a carrot only. There is no penalty for this program. It’s only a reward.

**SENATOR FLOREZ:** Are you talking about the care program?

**MR. KHOURY:** No, I’m talking about the peak-time rebate. It doesn’t exist yet. PG&E is going to file for it shortly, and DRA supports that.

**SENATOR FLOREZ:** Tell me where the savings is in that, in the tiers; tiers 3, 4, and 5.

**MR. KHOURY:** If you can cut back your usage on a very critical peak day, you would get a refund. For Edison and for San Diego, their refund is \$1.25 for every kilowatt hour you cut back in a peak period. So it’s what we call a “carrot only” program, as opposed to the program you were referencing. There was a hammer and a carrot. This one only has the carrot, and that’s what DRA likes. We are hopeful that it a carrot...

**SENATOR FLOREZ:** You like that?

**MR. KHOURY:** I personally like it.

**SENATOR FLOREZ:** Does PG&E like it?

**MR. KHOURY:** I believe PG&E also likes it. It’s one thing we agree on.

**SENATOR FLOREZ:** I don’t see anybody nodding over there on the PG&E side.

**MR. KHOURY:** The PG&E people who are working on it, I don't believe are in the room.

**SENATOR FLOREZ:** They're working on it but I don't see....I don't know....is PG&E in support of that program?

**MR. KHOURY:** Dan, why don't you stand up again?

**MR. PISO:** [Inaudible.]

**SENATOR FLOREZ:** Okay.

**MR. KHOURY:** But it's coming in the future. If we can get it implemented sooner, some of the people in the room would benefit.

**SENATOR FLOREZ:** Could you give us your email so we can, since you are the ratepayer advocate at the PUC, that we would might be able to contact you?

**MR. KHOURY:** Sure. That's bsl (as in big, stupid, look) @ CPUC.ca.gov.

**SENATOR FLOREZ:** Gotcha.

**MR. KHOURY:** Mark said so many things; I had one or two more suggestions that might help some people here—not everyone—but especially anyone who was recently laid off. I would check with PG&E to see if you can qualify for the low-income program—the California Alternate Rates program. It's a significant discount. There's a similar program called FERA, which has slightly different eligibility requirements, and it takes into account being three or more in a family. If you can qualify for those programs, it will help you a lot. If you have medical problems, you can get extra medical baseline allowances, which will help you as well.

And I would repeat what someone earlier said. There was a Smart AC program that PG&E has that you can also sign up for, and that will help you use less energy.

**SENATOR FLOREZ:** Thank you very much.

**MR. KHOURY:** Thank you.

**SENATOR FLOREZ:** Okay. It's 9:45, and we're going to take public testimony. I'm not going to limit you to the two-minute drill thing that people do. I would just ask you to get to your point, be courteous, recognize there are

people behind you. But please give us your absolute thoughts tonight so we can make sure it's part of the record.

**MR. \_\_\_\_\_ DEAN:** Yes, Senator Florez. I'd like to again thank you for coming. This is at least the second official hearing that you held in Bakersfield. I know the one you had over on Rosedale. I think it's good for the citizens to see how Sacramento works and you bringing this closer to the people. And I commend you, because I don't think we've ever had that before in this community, or very few, and you've done it more than once.

**SENATOR FLOREZ:** Thank you.

**MR. DEAN:** My remarks was to the PUC and also to the two utility companies. To give you a little bit background but very brief, but I just want to set this up. I used to work for PG&E for about 10 years, from '69 to '79. I'm a product of Affirmative Action when they first opened the doors to African Americans to work with them. I stayed with them through the construction of the Diablo Power Plant and left there as a journeyman lineman/first tier foreman and went on to do contracting, and then set up a trade association.

One of the things we found back in the eighties—this was about '88—we approached the State Legislature about trying to make sure that the utility companies that was regulated by the PUC opened their doors to more contracting opportunity to women and minority contractors. Out of that came a general order—and you might want to check this. I want to put this in the official record. It's called General Order 156. It requires all utility companies in excess of 25 million gross revenues to have a 15 percent contracting goal for MBE, 5 percent for female, and then they later on added on goals for small business and disadvantaged veterans. That is in force now.

You talked tonight almost about \$2 million worth of projects—\$2 billion worth of projects in this metering, and we're looking at about, potentially you said, 17 million homes. That's going to be a lot of money—contracting opportunity. And I know for a fact, because I spoke to some of the people that are doing the smart metering—they're from out of Bakersfield—and they're not certified firms.

And so, my challenge in part of this hearing record is to the utility company and PG&E, and Edison that's going to come in here, that they be required to do a better job of trying to meet those goals of hiring locally, and we will put our trade associations available through the current minority contract so as to help them find these firms that are qualified, because we don't think they're doing a good enough job.

Now, I will say this in PG&E's case. Like I said, I worked for them for 10 years, and I found them to be a very respectable company in trying to take care of their people, and I'm hoping tonight after what they heard, they're going to do the right thing. And I think by you purging and doing what you're doing, it's going to encourage them to do the right thing.

So I just want to thank you again, and make our services available to helping them meet those goals here.

**SENATOR FLOREZ:** Thank you, Mr. Dean. Appreciate that.

Mary Helen?

**MS. MARY HELEN \_\_\_\_\_:** Senator Florez.

**SENATOR FLOREZ:** Good to see you.

**MS. \_\_\_\_\_:** Thank you. I want to thank you, too, for holding this hearing here and for letting the public express their feelings. I really was a little disappointed that the PUC spokesperson who couldn't answer, and some of the PG&E people—you know, they knew ahead of time about this hearing. I've been in private industry, and if I showed up to a meeting unprepared and not be able to answer general questions, I'd get fired. So I really want the PUC spokesperson who's still here, and also the PG&E people that are here, to take that message back to their bosses and next time come prepared.

You keep talking about the baseline. Now, several years ago there was a big committee here that wanted the Central Valley to have the baselines raised, because we have extreme temperatures. The utility companies have fought this tooth and nail, because it would save the ratepayer so much money right off the bat. And I want the PUC to please take note of that, because they could change that quickly. But the baseline for, you know, across the board—the

baselines for the valley—have to be changed like they are for other areas of the country with extreme temperatures, and it would make a huge difference right off that bat.

The other thing is, I really am happy; I think there should be a moratorium. No more smart meters put in until this thing gets resolved. Otherwise, the opt-out option sounds really feasible. Or, not feasible, but something that I would like to be considered.

You know, I've just come back from San Jose, where I've been living and working. Well, back in 2007, my house was shut down for a whole month, okay? There was nobody in it; everything was shut down. I got a bill for over \$500 from PG&E, and I've been battling with them ever since on that one. That's just one example that happened to me.

Now, the other thing is the young man came to replace the smart meter the other day at our house with the upgrade, and my cousin was visiting and she has a wireless computer. We shut down the computer—you know, my computer—while the meter was being switched out. Before, everything was working fine. Afterwards, my wireless phone didn't work for a while. The wireless computers didn't work right. So I'm thinking that maybe some of these little increases in rates, because the meters, aren't they wireless too? Aren't they being affected by other things that are going on? Have you ever had your garage door open when you didn't open it, because somebody else opened up theirs down the street? Aha! I suggest that there is something wrong with those smart meters if they're wireless. They're getting other signals, and they're getting mixed up! So I would like that looked at, please; to be considered.

I'm so happy to see Mayor Harvey Hall here. Thank you for being here. And I'm hoping that somebody from the board of supervisors is here because, you know, other others, like up in San Francisco and San Jose and other parts, local communities are setting up their own utility, and I would like Mayor Harvey Hall and the board of supervisors to consider doing that for Kern



County. The city and the county join forces, and we can have our own public utility here.

I personally want to ask you to convey to your colleagues in Sacramento, to not reappoint those two commissioners that are up there. I think they're too cozy with the utilities.

And one last thing: Some time ago, I wrote a proposal, and I just want to bring it up today because I've never had a chance to do it in front of so many people. It has to do with the fact that solar power installations....I tried....because I've done everything on my house, you know? I put a new roof with the radiant barrier and coating the house and new wiring and everything to try and get my costs down—changed all the light bulbs. And I'm still paying more than I did before. So we're all in the same boat.

But solar systems: I thought about getting solar panels on my house. Fifteen thousand dollars. Well, I checked around, and it could cost about \$5,000 for that job if—if—you could buy the parts at Lowes or Home Depot, if you had an electrician who was trained install it. You could spread the wealth, more people employed. Somebody says, *Well, how could you regular that?* You could get a permit with the city, just like you do for a hot water heater. You pay the little fee at the city; revenue for the city. They could employ somebody else. They come out and inspect it to see if it's installed properly, okay? And then, we could arrange for it, like they're doing up in San Francisco, because the trick is the connection to the grid. If PG&E and the other utilities are required to buy a certain percentage of their power, why buy it from Colorado? Why not buy it from the homeowners? It would lower our bills, and they could buy it from us.

So I would like that to be considered as well. And I think that it would be much better, and you could get a job that right now costs \$15,000, and a few companies—I'm for small business, but bottom line, they've made a lot of money—you know, enough is enough already. I think that individual homeowners ought to be able to put solar panels on their houses, buy the parts from home improvement stores, which are hurting now anyway, have

electricians install them, have the city come out and check it out, like they do a hot water heater. Boy, we could use the sun in the valley, and we could all save a lot of money.

Thank you very much. I appreciate it.

**SENATOR FLOREZ:** Okay.

**UNIDENTIFIED:** Senator Florez, I appreciate this opportunity. I, unlike Mary, did invest in a solar system in 2007. I don't know where she got \$5,000. I paid 53,000. My annual bill in 2006 was \$9,300. I did quite a few improvements on my home—added some square footage, and included the solar, trying to be a good Californian. The solar does work. I believe it's still expensive to the average person, but I do recommend that California does work towards this.

My argument is this, is my first bill in 2007—I went on line in January of 2007—my annual bill went from 9,000 to \$868. That was for the whole year. In 2008, I went to \$1,300 for my annual PG&E bill. This year, as you can see here, in July—or excuse me, in June—my power bill was \$721. Just for the one month. Now, I did get a credit in July for \$269.40. Now, nothing has changed in my home other than my spa went out in March due to the freeze, so I have not had that on line. But everything else is basically the same. I've made no improvements.

When I contacted PG&E, I asked them—we're going to go back to the baseline. I was told they over built for my neighborhood and that because I increased the volume of my home and the needs. I would strongly urge that—or hope that maybe each individual household could be based on what their usage is, instead of what the average person in our neighborhood does. I'd be willing to pay my share.

I know we have a line, so I'm going to leave it at that. But I do appreciate your time. And solar is good. Let's push that. Thank you.

**SENATOR FLOREZ:** Thank you so much.

**MS. NORMA JACKSON:** Good evening, Senator Florez. My name is Norma Jackson. I had my first smart meter installed in, I believe, early 2008.

It works fine. I have no problems with it. It does give me accurate readings. So why do I want SmartMeter 2? They cannot come into my property without my knowledge or permission to install it because it is fenced with a locked gate. I don't want SmartMeter 2. I think there should be a moratorium until all the kinks are worked out, because obviously, there is a problem with them. And I think there should be a moratorium. And I also concur that I don't think you should vote to reappoint the two people to the Public Utilities Commission.

Thank you very much.

**SENATOR FLOREZ:** Thank you.

**MS. BRENDA BRADFORD:** Good evening, Senator Florez and the other gentlemen. My name's Brenda Bradford, and I'm from McFarland, California.

I've been dealing with PG&E for, oh, since the smart meter was put in at my house, and that was back in '08. It was a real shock to see my very first bill that I got. I went from 2006 to current and logged every date, every usage amount, and every bill that I got since then. Between February and March, because that's where my cutoff is, was when the first smart meter was installed. I got a bill that was kind of high, so I said, *okay, maybe we'll cut back*. So we cut back some. I got the next bill which was even higher, and I knew we had cut back. I got rid of my deep freezers. I went out and purchased energy saving windows, which cost me at least \$7,000, a little over 7,000, me and my husband. And my bills still continued to grow. I called PG&E and I told them about it, and all they said was, *Well, your usage is high*.

And I said, *Wait a minute. I've cut back. I've cut way back. I even got rid of my deep freezer. I don't even want them turning the air conditioner on*.

By this time it was going into the summer. I got a bill for \$605 for one month, and I know that couldn't have been right. So I called them back again. I've called them so much where they've said, *Well, you need to talk to the people from the SmartMeter department*. So they transferred me there. Then they gave me a phone number to call back and talk to someone. So finally after going around and around, I got to talk to a lady named Jackie. We talked so much.

She's from their SmartMeter department up there. We'd see the number; we knew who it was. She was calling me back; I'm calling her.

The bills continued to be 500 or more. We ended up going through so much to where we almost lost our home, our car—to get to work—and things just got way out of hand. So I'm calling Jackie back, trying to see what's going on. Finally, I said, *Jackie, somebody needs to come and check this meter. Something's wrong.*

So I called back to PG&E one day, and I got a gentleman—I don't remember his name—and I told him what was going on: I had talked to the lady from SmartMeter. I was told that I had to have an electrician come out because it must be our wiring in our house. So I had that checked. It wasn't our wiring in our house. They said I needed to have another guy come. I said, *Can you just send someone out here to check the meter?* They didn't send anybody.

Finally, March of this year, a gentleman knocks at the door and says, *I'm here to replace your smart meter. We found it defective.*

And so, I asked him, I said....my sister called me right away at first because I had her at the house to make sure someone was home, because there had been some burglaries in the neighborhood. And so, when she called me about that, I said, *Can you ask him what they're going to do about all this other stuff?* My bills ran 5- and \$600, like it was normal. My bills before that was \$35, 41. It'd go to 89 and I was upset. You know, seriously.

This is crazy. One gentleman told me the old meter was defective. So I said, *What?* I go, *Don't you guys come out here and read them and look at them? Don't you know?*

So I'm saying, if that man sat wherever he was at or whoever sat in an office and could tell that my meter was defective, why did it take so long and I had to pay these high bills? And when I asked him, *Well, is anybody going to compensate me somewhere? Just put it toward the bill. I don't even need a check. Just put it toward the bill.*

*Well, I have no authority to authorize that.*

I said, *Well, who does? Can I talk to someone?*

*Well, ma'am, you'll have to call back and talk to someone in this office, and We don't show any record that your meter was defective.*

I said, *Your person came out here and told us. Somebody knows.*

Well, I tried to call Jackie again. I didn't get through to her. She had given me a direct line. I don't know if it was directly to her or what. I tried that number. I never got to talk to her again. All I was told....I asked, *Well, can somebody talk to me about crediting my bill because of your meter being defective?* That was on March 23rd of '09, and to this day, all I keep getting when I call is, *I don't have the authority to authorize that.*

We've gotten behind in a lot because we're trying to keep the lights on. There's a \$1,247 bill sitting now that I owe PG&E, and all the lady could tell me is, *Well, we can set you up on a payment plan thing where you can pay \$400 a month and we'll bank this \$1,247, and if your usage goes down, whatever your bill comes out to be, we'll put the \$400 toward that, and the rest will go toward the \$1,200.*

It's going to take me a while to pay that off. We cut back in the summer, not using the air conditioning. It had gotten where I'm on the phone with Jackie at my meter, trying to go over this with her, and she said, *Oh, it's not spinning that fast. I don't know why it's so high. It's not showing that fast.* I don't know why it's high either. I kept getting all these crazy....one guy told me because my meter sits on the south side of the house, and when the sun hits it, it registers higher. I said, *That doesn't sound right to me.* I said, *It should not be.*

Somebody—I need some help with this because I've almost lost my house. We had to come up and go through some more really embarrassing situations, but I got to do what I got to do. And this \$1,200 is still sitting there that they want me to pay 400, and in four months they'll reevaluate. *The winter's coming, so your usage should go down.* This is what they're saying.

Please—straighten your meter out, because if one was defective already, you put another one on, and the bills are still crazy. So somebody need to check out what's going on. And with those meters, get them right before you start putting them on people's houses, because everybody's getting stuck.

**SENATOR FLOREZ:** Thank you.

**MS. BRADFORD:** Thank you.

**MS. JERI HERRERA:** Good evening, Senator Florez. My name is Jeri Herrera.

We moved into a house that was already installed with a smart meter. It's just the two of us in this house. We were getting bills about \$250 a month, and I questioned PG&E. I said, *Can someone come out and check the meter? because I don't think that's right.* And PG&E informed me that they don't send people out to read the meters, that everything is remotely online, and they would check to make sure everything was running okay. So they said everything was running fine.

Well, for us, we cut back so the bills would go down. Instead of going down, they went up. So we moved. And I called, asked for a closeout bill. So we moved into the new house with everything paid, starting with zero balance. We received a bill that was even more than all the past bills, and I said, *How is this possible? We've cut back. We don't even stay there anymore.*

She was, *Well, it's your final bill.*

I said, *Well, if it's done with computers, shouldn't that, when I called and went down and paid, had been my final bill?*

She said, *Oh, the meter was read the day that you moved?*

And I said, *Excuse me, before I even went down to the office, I asked for a final total.*

So this evening when I spoke with them, I said, *Out of curiosity, tell me something. Is that meter still running at the house, when I know that the house sits vacant? It's empty. There's no appliances. Nothing's plugged in.*

She said, *Oh, we're showing 1 to 2 kilowatts a day being generated.*

I said, *How is that possible? The house is vacant. There's nothing there.*

So I was reminded of this town hall meeting, came down here, and was directed to the PG&E \_\_\_\_\_ Marriott.

Now, I got off the phone with the supervisor at PG&E at 8 p.m. this evening. I went down there at 9 o'clock this evening. All of a sudden, it's showing that there's no usage. There hasn't been any usage. So within an hour, from one supervisor telling me that there's 1 to 2 kilowatts being generated a day, it was changed to showing that there was nothing being there and hasn't been since we moved.

My question for PG&E is: If all this can be done remotely, how is it that you can change this that quickly? Somebody needs to look into that.

**SENATOR FLOREZ:** Good comment. We will, absolutely. Thank you. We'll get your number.

**UNIDENTIFIED:** I'm a little nervous. I'm sorry.

**SENATOR FLOREZ:** Oh, don't be nervous.

**UNIDENTIFIED:** I spent yesterday working on a statement, but I'm going to actually adlib, which is not my gift.

I have spent most of this weekend working on my PG&E. I have done research. I have PG&E staff—both of them I have met with. I have spent four-and-a-half hours on Saturday in the morning, four hours in the evening, and four hours today. I have the philosophy, if something is confusing, something is wrong. Things need to be simple to where an average person could understand it. So I'm just going to pick the high points because everyone has eloquently and passionately talked.

My first thing is the tiered system. Tiers 1 and 2 are frozen. Tiers 3, 4, and 5 carry the load. A subsidy is a subsidy, is a subsidy. I would like to propose to the CPUC—and I do believe, Mark, I will be emailing you quite a bit. I believe a single-tier rate system is appropriate. Yes, I believe in public assistance, but call it what it is. It is fine. Make it simple so we can understand and make decisions. One rate.

My next thing is this. I wasn't going to speak. This is not usually what I do. But I know of someone personally—a husband, a wife, two children. They are leaving their home. They are selling their home because they cannot afford their PG&E bill. That is a shame. How can we live in a society where citizens cannot afford a necessity? That is wrong.

Also, PG&E has a monopoly. With that comes responsibility. I was told that PG&E must purchase its power for the grid at the higher contract rates that happened when Enron was around. Okay, that's 10 years ago. Stop. How long do we pay for this mistake?

Next. I found out that Hawaii, New York, and California have the highest rates in the nation. What are the other states doing that we are not? What are they doing right? What are we doing wrong?

And now comes to this. I debated whether I was going to ask this. I have to ask. I spent days at the Marriott talking to people. I have two questions that I thought I had absolute answers on, and I'm going to ask point blank directly because I was sitting at my section, telling them there was no rate increase. Maybe I misunderstood. I'm a little nervous. I was told....I mean, I just heard somebody say that the CPUC has before it a 2011 rate increase. Did I not hear that? I asked PG&E Saturday and today if there was a rate increase. Maybe I worded the question wrong, but my question was this: Is there another rate increase going before the CPUC? because we can't afford more. They told me "no." And I am stunned. And I am hoping that I misunderstood.

The next thing, just today, the smart meters—I won't even go there because everybody has talked about it. I'm almost done, you guys. The smart meters. I asked, *What is the failure rate for smart meters?* because nothing has a no-failure rate. I was told there hasn't been one problem with smart meters within the city of Bakersfield. And this one woman who was here, two times earlier, a PG&E rep told her there was something wrong. We need to believe you, but tell us something consistent. Help us! Help us understand your bill. Help us understand!



That's it. Sorry. Thank you for listening.

**SENATOR FLOREZ:** Thank you very much.

**UNIDENTIFIED:** Thank you, Senator Florez. And if you run for Governor, I'm on your team.

I got several concerns. I'm not going to go into my rate increases, because it tripled and doubled. My concern is, is that I take care of an 80-year-old woman who has Alzheimer's. What am I going to do? Shut the electricity off for her? Well, they finally got around to telling me I can get a special base rate for that, but that didn't help the money that has gone out of our pockets.

There is an accountability by PG&E, by the PUC, to represent us, but by PG&E to use our money wisely, and they haven't done that. They haven't proved they've done it. All we've heard is about the mistakes that they've made, and we have to pay for it. That's wrong. The ratepayer advocate—shame on these guys! Shame on them! Shame on them! Shame on the PUC for taking advantage of us in the valley here!

If you're going to change rates, like she said, just make it one rate for everybody. And if you're going to subsidize certain people, then great, you're going to subsidize those certain people that have medical conditions or they're financially strapped; whatever the case may be. But they have to use our money wisely because they collect it from us. And you know what? It is a monopoly. If they're going to charge the rates they want to charge right now, I want to go someplace else. I don't want to buy the Chevy that's going to cost me \$30,000 when I can go buy the Honda for \$25,000. I don't want them. In fact, I want them out of my house!

I'm looking at everything I can. I just found a company that will put solar on my house for \$1,000 down and \$247 a month, and I won't have to pay them. But the thing is, when that meter starts turning backwards, why aren't they paying me? Why don't they pay me for subsidizing them? No, they won't do that. And that should change. There should be competition. Competition brings fairness. Because if we don't like it, we don't buy from them.

There needs to be a different PUC; one that represents us, one that hears our voice. Maybe one of those commissioners need to come from Bakersfield, that lives here and experiences the heat and has to pay the bills that we pay.

And as far as trusting PG&E to validate those meters, I don't trust them. They haven't proved themselves to be trustworthy. Make it independent. Let them report back to you, those independents. I would appreciate that more, and I could trust you more than I could ever trust them.

Thank you for your time.

**SENATOR FLOREZ:** Thank you for your comments.

**MS. SUSAN SALVUCCI:** Thank you for having these meetings. My name is Susan Salvucci. I'm a local attorney and mediator here in town. The Bakersfield air is getting to my voice, but please bear with me. I will of necessity repeat some of the things that have been said before but just because the word "monopoly" has been thrown around a little bit tonight. I'm probably showing my age, but the phrase "Ma Bell" comes to mind as a monopoly that was in existence quite some time ago and hasn't existed for a long time either because of similar situations as we find ourselves in with PG&E.

One of the main threads of the testimony here today is that most of us have done everything we can to reduce our energy consumption. We've done new roofs and insulation and windows, and we've gotten rid of refrigerators in the garage. We've done all of those things. And we who live in Bakersfield, and actually like the heat—that's why we're still here—are energy conscious, and we know that when July, August, and September come around, those are the hottest months for us in Bakersfield, and we automatically conserve even more because we don't want our bills to go up. In face of all that, for the smart meters to be put in and see our usage go up even further, when we live with one light on and the television going when we get home from work, where we've been all day long, and then get a bill that's four, five, up to \$800—I've received them up to \$1,000—is very depressing and very frustrating. And when you contact PG&E, as so many people have said, we are given excuses that do not

make logical sense in the face of the facts and the reality. We are treated like we don't have an education, which most of us do. It's not rocket science.

The reason I wanted to talk today is because I, too, was gone for the month of June the 7th through July the 7<sup>th</sup>; did not return until July the 10th. I was shocked when I opened my PG&E bill for that time period and found a bill for \$499. I had closed up the house, took my two Schnauzers with me, and the only things that were running were my alarm system and the pool meter and some low-voltage lighting. When I called PG&E, I was told, *Well, gee, we had a rate increase*. What difference does that make when you're not using hardly any electricity? That does not make logical sense. Credibility starts to go out the window. I said, *Look, there's got to be something defective with this meter. I can't have a bill for \$499 when there's very little usage going on here*. And I said, *Please send somebody out to check the meter*. And I quote—I was told—"PG&E does not offer that service" (closed quote). I held my temper, and I went out and looked at the meter and noted the little wire and the seal on the meter. No one is supposed to go into that meter except them, so there's no point in calling anyone to check it.

So I plugged in my laptop and I went online, and I now have a Verizon Wireless internet so I can use my laptop other places, rather than one in the home, and amazingly enough, the first thing that comes on is a program that tells me what my usage is. So when I get close to 5 gigabytes and they're going to charge me more, I thought, *Gee, that'd be nice if PG&E did that*, but they don't. But I started Googleing and researching, because I can. And I discovered that Japan has gotten rid of their electronic gas meters, their computerized gas meters, because there was a software defect. New York got rid of computerized water meters because their computers were defective; the software had a problem. People were getting bills for water for \$27,000. That defies all logic. Just as a \$843 bill defies logic in my house when I'm the only one there and I actually go to the office.

I was told when I called that the reason my bill was so high for the month that I was not at home was because there was a spike in my usage at noon. And so, I said, *Well, would that be noon when I'm at the office or noon when I'm in the Midwest? What's going on?*

So the lack of credibility that PG&E has now created for themselves is absolutely phenomenal, and from what we've heard here tonight, with bills of \$1,300 and a lot of unjust enrichment going on here, this is outrageous and deplorable and unconscionable for them to do this.

In Fargo, North Dakota, natural gas meters were found to be defective because the software was wrong, and the city made them remove the meters. It's obvious to me that with all of the software problems that exist, that this technology is not ready for prime time. And the meters installed in the Fargo, North Dakota area were installed by Xcel Energy, which owns a number of electric and gas suppliers that goes from the Midwest, from Colorado to the Mississippi River, from Canada and North Dakota down to Texas, and over to Michigan and New Mexico. So it's a large consortium and everyone's jumping on the bandwagon for these electric meters and gas meters and water meters that will only assist the actual supplier.

Pursuant to SmartSynch's website, they make the SmartMeter product. It helps them better understand the customer demands and allows the power user to see when they can reduce electricity consumption to save money. That's what it said in May of '08. But we can't do that, because when we call PG&E and they say, *There's been a spike in your usage*, when that's impossible, it tells me that their software is wholly inaccurate and has to be defective.

So, in addition to looking at the ability of the hardware to be proper and to be accurate and to be calibrated, something needs to be done about the software programs, because obviously, they're almost....I can only come to the conclusion that the software has set a baseline figure of \$500 for my house, and it goes up from there.

So thank you for your time.

**SENATOR FLOREZ:** Thank you for your testimony. Appreciate that.

**MS. BRANDIE BEVINGTON:** Hi. My name's Brandie Bevington. I just want to start out saying that thank God, I'm not as crazy as PG&E made me look out to be, that there are other people with these same concerns.

My story is, I live in a two-bedroom, one bathroom apartment, 700 square feet. My major appliances all run on gas. My air conditioner is the only major thing using electricity. I didn't even know about these smart meters until I moved into my apartment this year. I get my bill in June. It's 247. I had been running my air frivolously—76, on auto. I wasn't conserving; I didn't think about it. So I get the bill, it's \$267, and I like, *O my gosh! This is really high. Okay. Obviously, we need to make some changes.* So I set my air back. I set it up to 80/85, on auto. My next bill comes. It's now \$450. Mind you, this is a two-bedroom, one bathroom apartment, 700 square feet.

So I called PG&E, and I've never had the worst customer service in my life ever. It was awful. I had been through four phone calls, spoke with three managers. First, they gave me the runaround. The first call I made I was lied to, because previously, my sister had called to file a complaint because she was also having the same problem. She lives in the same complex as me. So they allowed her to file this complaint over the phone. I called. The woman that I spoke with tells me that I can't file my complaint over the phone, that she will be mailing me a complaint form. So I tell her, *Well, I've just spoken with my sister, that obviously she disagrees; she made her file over the phone.*

So I'm upset now, crying; I can barely speak. My sister comes over. She's speaking for me. Finally, we get to another manager who allows me to make my claim over the phone, who is still trying to deter me from making my complaint. I make my complaint. She tells me that by making this complaint, I'm still going to have to pay my bill and pretty much it's at a loss; there's nothing I'm going to be able to do. I might as well give up and not make this complaint. I go through with it anyways because that's just the right thing to do.

So they send out a meter reader. The meter reader obviously tested it; he said, *It's fine*. But he tells me he wants to come in and see my apartment and see why my bill is so high. He comes in and says, *There's no reason that your bill should be this high. This is ridiculous, like \$450. I don't even know*.

So after that, I filed a claim with the CPUC. After I filed a claim, a representative calls me back and tells....or come to find out, the representative from the CPUC is the manager I spoke with from PG&E previously that night.

So I'd like to know, how is the CPUC investigating if they're using PG&E's own workers to investigate it? I don't find that as an accurate investigation.

**UNIDENTIFIED:** \_\_\_\_\_(inaudible)

**MS. BEVINGTON:** She was the investigator. So that's kind of a joke there, yes, CPUC. I don't know.

**SENATOR FLOREZ:** Thank you. Let me ask a question...

**MS. BEVINGTON:** I just want to close with also one more thing.

**SENATOR FLOREZ:** Sure.

**MS. BEVINGTON:** I'd just like to say a quote that I stumbled on previously. "The only thing necessary for evil to triumph is for good men to do nothing."

**SENATOR FLOREZ:** All right. And thank you for testifying tonight.

Let's do this real quick while you're here. PUC, since you're still here, is that happening? Is that policy? Do we do this sometimes?

**UNIDENTIFIED:** \_\_\_\_\_(inaudible)

**SENATOR FLOREZ:** No, okay. Well, let's really come to some resolution. Could we get your name, to make sure the PUC...

**MS. BEVINGTON:** Yes, definitely.

**SENATOR FLOREZ:** Right. And the manager's name that you dealt with, both of you? Let's try to get to some resolution of this, would be great.

**MS. BEVINGTON:** Thank you for letting me speak.

**SENATOR FLOREZ:** You got it.

As you're coming up, I'm gonna just step out for one moment, and you can keep testifying. Two cups of coffee later—I'll be back in just one second.

**MR. NATHAN ECUNIA:** My name is Nathan Ecunia. I'm a certified energy consultant here in Kern County.

We've been hearing a lot tonight about the exorbitant PG&E costs and bills that people are incurring. It's a sad, sad, sad testimony, especially being that when a person buys a dollar's worth of electricity from PG&E, they do not use a dollar's worth of electricity. In fact, depending upon their home or their business, they can use anywhere from 40 cents to 75 cents, on the average, of electricity of that dollar that they bought. The other 25 cents, or percentage, goes off in heat, goes off in light, goes off in other factors.

There are technologies available today that, in fact, can capture that unused electricity and can store that unused electricity. Very affordable solutions. By storing this unused electricity, when you have a motor that turns on, it draws from these capacitors, to begin with, and decreases the amount of electricity that you're buying.

Another technology—refrigerators. We've heard a lot of talk tonight about refrigerators. Let's think about a refrigerator real quick. How does it work? Basically, it's got a little engine, a little motor, that runs a compressor, that passes Freon, and the heat exchange causes....when you take the heat out of the air, you have cold air, and that's your refrigeration. What gauges the temperature? It's a little thermostat, a little gauge, a little pinnacle. They're either one, two, or three inches, depending upon how big the refrigeration systems are. And what are they doing? They're measuring the temperature of the air. They are not measuring the temperature of the products. They're not measuring the temperature of the cheese or the bread. They're measuring the temperatures of the air. So what literally happens when you open up your refrigerator door? The warm air hits it, that little thermostat touches, it kicks on that little motor, not because your drinks are getting warm, but because that warm air has hit that little sensor. The most efficient refrigerator would be if you could stick those sensors in your drinks, in your cheese, so that when your cheese and your food got warm, your refrigerator kicked on.

Those technologies do exist today. They exist in the form of a product called the eCube, that allows you to put it over that sensor, and it basically duplicates the conditions of food so that your refrigerator only goes on when, in fact, your food gets warm. Bottom line what it's doing, it's saving 50 percent of electricity of running on those refrigerators, thus requiring making less electricity.

What we're doing and we're starting—we just moved here, by the way. I just came back to Kern County here about two weeks ago. We are starting a campaign to make this technology available to everybody here in Kern County, and what we are telling people is that if you're interested in getting one month's worth of electricity for free, call me, talk to me; I'll be standing over there in the corner. Because the technologies that exist today are sufficient to be able to give you at least one month, if not more, of free electricity each year, by the savings of money on electricity that you're not having to buy anymore, thus decreasing the need to make more electricity, thus decreasing the fuels that are making electricity. Somebody was talking about their voice—decreasing the air quality to make that electricity.

By the way, we're also working with the trucking industry. These little sensors that we're talking about, that gauge the temperature of the air and refrigeration systems are the same thing that's used in tractors and the tractor trailers. What happens, when the air hits it, it turns a little engine on that's run by diesel and the emissions happen and we're breathing those emissions.

So there are all kinds of solutions out there. And I invite anybody, like I said, that's interested in decreasing and buying less electricity through very affordable technologies, they can talk to me. I'll be back in the corner.

Thank you.

**SENATOR FLOREZ:** Thank you very much.

**UNIDENTIFIED:** Senator Florez, ladies and gentlemen. It's not too hard to see that this is a sham. After listening tonight, you're wondering if it's a state-sponsored scam.



Just a few things from earlier. I'm just a single person living by themselves now. All right? I'm already at the bare minimum. A few years ago, I moved in with an elderly parent, who has now passed away, and I worked with PG&E on everything I could do to lower my bills. At that time, they told me, *Well, your microwave, you're not using it right now. Go look at your wheel that's spinning in the thing and notice how fast it's going. Come inside and unplug about six or seven things, like the microwave you're not using right now. The lamp that you don't use, maybe turn on once or twice a day.* I unplugged about nine things. I went outside; that wheel slowed right down. To this day, I don't plug in the toaster unless I use it. I don't plug in the microwave unless I use it. Everything in my house now has one of those curlicue light bulbs. However, since July, since the smart meter, my bill has doubled almost exactly, every month since.

You know, when my dad was alive, he used to say, *Well, don't wash now. Wait 'til after seven.* I wonder how many people here, as I heard some people say, that they wait 'til midnight before they do their stuff.

You know, by working with PG&E a few years ago, they can't charge a different rate throughout the day. All right? You get paid the same at noon or at seven or at midnight. It doesn't matter. So I don't know what these people are doing. All it does is it helps creates less of a drain on the whole grid so there are less rolling blackouts.

So my bottom line going to you, saying, well, how about a different color light letting us know when we're at a different tier? If you're at the bare minimum now, what good is that going to be to me? You know, I'm going to hit that tier when I hit that tier, or when they said I do. I can't already go from nothing to nothing more unless I just shut everything off myself.

I have tried to track some of this stuff online, but most of it you can't get to unless you sign up for their epay, which means they automatically take it out of your account every month. You can't go on there for a one-time payment, like I can with every other bill that I have. And I'm not going to give

them access to take that 400, \$600 out when I might want to dispute it. So I can't accurately track it. So it raises a few questions.

I would also like to be able to go online and see what my rates are, not only by maybe this county to another county, or geographic area to geographic area, so if rates are lower somewhere else, maybe I would want to move. And I know, I've heard it, and I've heard it said, that they have the highest rates here in the Central Valley. I wonder, why? They can make the most money off of us.

One of the things I did was I stopped using my computer as much, or put it on standby. They said that's a big drain. So now when I don't use it, I just shut it off completely. These smart meters are kind of computers though. I wonder how much they're using and how much they're charging you for that use while they're on. Kind of makes you wonder.

The most effective thing about the smart meter was the hundreds, if not thousands, of union jobs it cost to replace those workers with. That's how they're increasing their bottom line. I'm sorry, I'm dead-set against that.

And to answer your question earlier on about monitoring, they can't answer monitoring, and to me—or in most county instances, when I used to be employed here—you run a control test to the product. Run that wheel spinning meter next to the smart meter. Do that over a period of time. Have a test and a control and see what happens. If I had that round meter next to that smart meter over the last three months, would my bills have doubled? Would it have shown the same on both devices? That is what monitoring is about.

**SENATOR FLOREZ:** Good point.

**UNIDENTIFIED:** And nobody has done that. You know, I understand rates have increased, but for my bill to have doubled or even tripled, the rates would have had to double or triple. So there's got to be something else wrong. That's all I have to say.

**SENATOR FLOREZ:** Thank you for your testimony. Appreciate it. Very good.

**MR. WESLEY MULLIN:** My name is Wesley Mullin, and my complaint is not bill-wise. It has to do with the fact that the contractor from PG&E came in my house, and it just so happened I had left for about three or four days, over the weekend, at the time they came in. But when I came back, the house was completely dark. I did not know what happened. There was no electricity. Apparently, what the contractor had done is turn off the main breaker, and when the contractor turned the main breaker on, there was no electricity. I probably had a defective breaker, but it was working when I left. And had they not messed with it, I feel that I would not have had a problem at all.

I looked at the meter, the smart meter. Everything was on zeroes. I called PG&E immediately. They sent somebody out. It was pretty late at night. I worked with him, and we determined that nothing was going through the main breaker. Well, I had a whole lot of food in the refrigerator, and needless to say—ice cream, everything—you can imagine what happened to that. I ended up getting a new breaker. It was awful hard to find. I personally have an inactive electrical contractor's license for low-voltage electric, and so, I did the work myself.

I went down to PG&E. I got shined on big time. I asked to see a supervisor, and the supervisor wouldn't give me the time of day. It was only when I went to the Public Utilities Commission and they wrote to....they contacted PG&E, that I got some action.

In the meantime, I took that refrigerator—I discarded meat and everything else that was in the refrigerator and freezer. The refrigerator—I have steps going up to the house; it's a hardwood-floored house—and I cleaned it out with a hose as best I could. Well, I had the misfortune of having the refrigerator get off the dolly when I went to pull the refrigerator back in the house, and it bent the side, where the door wouldn't even close.

Now, after I got that fixed, somebody came out and they put a seal on it. Well, I got the insult later on, three or four days later, I guess it was, or maybe it was longer than that. The contract company came by, and they put one of those security rings on the house. Messed with it again. And that made me

very angry because I've never, in any way, shape, or form, tried to defraud PG&E. I had trouble with the same contract company right then. I called PG&E about it and the person that I had talked to, the representative. Now, they pretty much make right the refrigerator and the meat and everything.

The thing that I did not go to them about, that I was really unaware of at the time, is the fact that the security system I have in the house, the battery had run down, and I had some problems fixing that.

Also, I would like to bring up a fact. There is some company called Sparks Electric. It's supposedly affiliated with PG&E. I know nothing about it. They've called, I'll bet you, probably about 40 times. I've cussed them out. I told the one representative not to call me again. I told him to "F\*\*\* off and die," and I still kept getting calls. I tried hanging up on them. I did everything imaginable. I did not have the name of the company at the time, but I did have the phone number from Caller ID.

I wrote to the Public Utilities Commission and told them—and also to Gene Fuller and also to....I'm trying to think of his name right now, our representative in Congress from the area. I have not really heard from them. But the PUC sent them a letter, saying that this company was in Arizona and they had no control over them whatsoever. Well, it's Sparks Electrics, and supposedly according to Sparks Electric, they sent something out in a letter that I got from PG&E, and they said I must have discarded it. Their company is apparently based in Texas. They called back again. They've called back again several times. I asked them for the name of their company. I asked them for something in writing, which they could not give me. I'd still like to know who they are, what they are, and I'd like to get them to leave me alone, and that doesn't seem to be happening. A few days ago I got another call from them.

But now they want to replace the meter with another meter, and I'd like for you to listen to what the letter I got from PG&E says:

"Pacific Gas & Electric Company recently sent you a letter requesting your assistance in scheduling an appointment to install new smart meter..." I

had called PG&G in the interim and told them I did not want that contract company contacting me again. If it had to be replaced, I wanted to PG&E to replace it, and I wanted to be there when they did it.

It says, "Pacific Gas & Electric Company recently sent you a letter requesting your assistance in scheduling an appointment to install new smart meter equipment at the address listed on the back of the letter. Unfortunately, we have not heard from you, and without access to our meters, we cannot upgrade your service. Please call us as 1-866-743-0263 within the next 30 days to make an appointment to install new SmartMeter equipment to ensure continuous service. If we do not hear from you within this timetable, your service may be disconnected."

Now, as long as I pay my bill, how can they do that? number one. They're trying to intimidate me.

"Therefore, it is important that you call us soon. Until the new SmartMeter equipment is installed, future bills for service may be estimated because our meter reading staff will no longer be reading the meters at the addresses listed on page 2."

Now, they're able to read it now. Why in the world wouldn't they be able to read it in the future? To me....well, I won't make a comment because it wouldn't be very nice.

"Installation of the SmartMeter equipment is simple and quick, in most cases requiring only a brief, approximately five minutes, interruption to electric service, if provided by PG&E and no interruption to gas service. Once fully implemented, the SmartMeter program will allow us to read our meters remotely without setting foot on your property and without interrupting your schedule. These meter readings will be used to calculate your energy statement.

"We look forward to upgrading all of our meters with new SmartMeter technology and appreciate your cooperation. Please keep in mind that the upgrade is approved by the Public Utilities Commission and required for all of our customers. The meter upgrade is necessary to ensure continuous service."

Which sounds to me like they're trying to intimidate me right there. And I won't say what I would like to say to them.

"We truly value the opportunity to serve you, and we will continue to work hard to provide you with reliable service. If you have questions, please visit [www.pagecommissionsmartmeter](http://www.pagecommissionsmartmeter), or feel free to contact us at 1-866-743-0623." And it's signed, "William F. Devereaux," I guess it is, "SmartMeter Program Senior Director, Pacific Gas & Electric Company."

And I wanted to say to PG&E, I don't intimidate very easily, and I'm very angry. Cut off my electricity when I've paid my bill, and I'll certainly take some kind of action against you, because I think this is bull.

Thank you very much for listening.

**SENATOR FLOREZ:** Thank you. Could we get a copy of your letter also? Would that be possible?

**MR MULLIN:** It's right here. Is there some way to...

**SENATOR FLOREZ:** We'll get it from you. Sam, can you get a copy of the letter here? Come on down. In the yellow shirt. Thank you.

Mr. Mayor, thank you for joining us tonight, at such a late hour.

**MAYOR \_\_\_\_\_:** Thank you very much, Senator Florez, for affording our community the opportunity to learn and express their views. I think it's very evident that we do have issues in our community that are affecting a lot of people and affecting their livelihoods.

I want to point out, in my work as mayor, that PG&E is a very positive community partner, helping each year in so many positive ways through donations and community service.

Recently, the city council became aware of concerns expressed by community members involving increased costs of utility costs. The city council has monitored closely the events and public comments leading up to this public hearing.

I, too, have experienced the cost increases of my home and businesses. However, I realized the increase in cost is normal cost in providing my power.

However, I am continuously working on methods and changing of equipment to make it possible for me to reduce those energy costs.

I think that this evening, it has been very well pointed out that there are a good number of options available to the public for looking and seeking relief. You know, knowing that the local PG&E leadership and employees, as I do, I know that nothing is more important to them than having the customers' trust and confidence.

Tonight has been an educational experience for all of those who have attended today. And I would think that PG&E has learned in a big way that their customers are not necessarily happy with their work and the effort. But I also know that they have a strong local presence in our community in which they want to be cooperative community partners. And they will work, I'm sure, to attempt to justify and to assist the customers in allaying so many of these fears that the people have.

Bakersfield presently is experiencing 10 percent unemployment. That's very significant in our community. And every little bit of effort that a public utility can take to lessen the blow and give our citizens more of a comfort feeling about living and working in Bakersfield must take place.

I think the PG&E has recently demonstrated a real effort to further public education on the use of the SmartMeter program. Perhaps it hasn't been enough. But I think after tonight's public hearing, they have learned a great deal; that they need to work on marketing, they need to work on public ed, and they need to go out and do more customer service so that the public will have more confidence and faith in their operation.

Thank you very much.

**SENATOR FLOREZ:** Thank you, Mr. Mayor.

**UNIDENTIFIED:** Good evening, and I'll try to keep it short.

First point: talk about the testing and validating the validity of the smart meters. One idea which was mentioned a little bit by a previous gentleman, you can take some of the people who've contacted your office, have them go out, hook up an old-style electric mechanical meter—"dumb-meter," if you

will—directly in line with the smart meter. Just connect the output of the one to the input of the other. Let it run for a month or two; check the difference in the readings; you can validate the smart meter.

On the peak rebate thing, that may help some, but the people who've been doing the most so far, who are on the SmartRate program, they're not going to be able to cut back their use any more. They're not going to get any benefit at all.

On the issue of remote downloading, which is a very cool technology, but when I worked for the Nevada Gaming Control Board, downloadable slot machines were a big issue. If you can automatically and remotely download the programs, you better have a really good security system, really good testing and validation, and there should be a requirement for Notice to the Customer when the program on the meter is being changed.

Validation of the accuracy of a meter should not be an exception process. It should be something that a customer can request if they think....I mean, it's essentially the invoice, and if you're questioning the invoice—I mean, you have the right to do that on any business.

To further customer support, I think PG&E should either be prohibited from or voluntarily refrained from donating to political initiatives and campaigns which have absolutely nothing to do with energy.

One thing that's come up a couple of times tonight is people wondering how they got—one woman—how her readings went from a couple kilowatts down to nothing. I had experience a couple years ago with the smart meter, similar situation, and part of the problem was what they call "estimated reads." But they're not disclosed as estimated reads in any way, whether on the web page or....even several customer service representatives I talked to did not know how to differentiate between estimated reads and actual reads. So there could be a training issue there as well.

Speaking of training issues, I did go to the Answer Center yesterday and talked to the SmartMeter people. They had never seen the SmartMeter web page, so they didn't have access to it. They didn't have SmartRate in their



area. So I logged on and showed them what the web page looked like. Gave them several suggestions, including the ability to see the actual meter readings, not just incremental usage. But these people who are managing the program should know what it's like. They should have access to these pages, and they should be hooked into the program. Maybe of the people running it, the people who are in the area where it's being tested, they have the most valid feedback and insight.

The new meters, you should have the ability to log on to the meter directly and see your instantaneous usage. This is not rocket science. I got a wireless router at Best Buy for 75 bucks. The way you set it up, you put in the IP address in the router. It talks to the router. You configure it, and you're done. You should be able to see your instantaneous usage, the meter readings, read any kind of stuff off that meter easily from your home computer just by putting in the IP address.

And remote disconnect is a worry because if they type in the wrong meter number, IP address, whatever it is, somebody who may be perfectly current on his bill, just got his power whacked. There should be some sort of safety protocols if you're going to allow remote disconnect that ensure that accidents like that do not happen.

Thank you.

**SENATOR FLOREZ:** Thank you.

**MR. TED BLOCKLEY:** Good evening. Thank you, Senator Florez. I'm Ted Blockley, and I'm here to bring some statistics. I've got a similar story as some you've already heard.

I reverse engineered July's bill. I went back to rates which you can get on the internet from 10 years ago. And after a whole bunch of energy-saving measures in our 80-year-old house over the past 10 years, the results are startling. Our bill for July was three times what it would have been 10 years ago. That pretty much says we're done with conservation projects. There isn't more. The rates are just too high.

Utah has tiered rates. Twenty-five hundred kilowatts there costs \$250. Tampa, Florida, they have air conditioning like ours. There, \$175. Longmont, Colorado, \$160. Commercial customers in California, 2,500 kilowatt hours, \$500. Bakersfield, 2,500 kilowatt hours, \$750. And that's a big sting, all considered. That top tier rate that we're paying to get to \$750, that's double the average rate in Japan. That's more than every single country in western Europe. Western Europe supports the sort of largest and most prolific green energy programs that exist. Spain has the largest solar. Denmark, the largest wind. They manage. They manage with old buildings; buildings that are never going to be energy-efficient because they're thick stone. Where do you put insulation in a place like that? They manage, and with rates lower than ours.

We're the hottest place PG&E serves. We're going to get hammered the most when the base rates are frozen. We are just going to get mercilessly tormented if the rates continue to increase and the base is frozen.

The national average for 12 months—this is January, February, March, all the way through to December—across the country, places like Minnesota, where it doesn't get warm, that's 936 kilowatt hours per month. National. Our baseline's less than 600. Eugene, Oregon—it's about as green as it gets. Their climate kind of like San Jose's, maybe Fremont's. They have tiered rates. Their baseline is 800. They base that on Oregonians not using heating, not using cooling, not heating any water, with that 600 to 800, in an apartment or a house. We're at less than 600. So our baseline's really kind of sad.

We've been on a time-of-use meter for decades. The folks at PG&E probably want us off it. They've discontinued it but allow us to stay on it. So we know that our off-peak usage is approximately 90 percent regular usage. Only 11 percent on-peak. We're getting hammered with our off-peak rates. Now, if you have enough money to buy a Tesla Roadster—that's a battery-powered car; it's a real hotrod; zero to 60 in 3.9 seconds—you get a special rate: half price. When their time-of-use rate clicks in to the 20-cent per kilowatt hour rate—I'm paying 40, you know? At a time like this when the Energy Commission is saying, *Oh, we're going to have to regulate big screen*

TVs, how can you give half-price electricity to people who can buy a hundred-thousand-dollar electric hotrod? This is a little cuckoo.

So I think the supply side is a little broken. PG&E can say, *We've got to make money, we apply for a rate increase.* Energy Commission says, *We've got to follow the mandates of the state. They need a rate increase, we give them a rate increase.* The Legislature says, *Well, we just implemented this policy and it looks good.* But the buck doesn't stop anywhere. It just keeps going around, around, around.

I've taken some cheap shots, but that's where they are. But, you know, do what you can when you can afford it.

Thank you very much.

**SENATOR FLOREZ:** Thank you. Thank you for your statistics as well.

**MS. LAURA FELDT:** Thank you, Senator. I'm Laura Feldt. I'm a teacher here in town.

I would like to ask why we do not have any representation on the commission, at the CPU. We are big users, obviously, of PG&E, and yet, all five commissioners are from San Francisco. I really think that we need to have someone that's from the valley on that commission who understands our needs and the concerns and what these increases do to the local economy.

Thank you.

**SENATOR FLOREZ:** Great. Thank you.

**MS. MELANIE PEREZ:** Good evening or good night. My name's Melanie Perez.

I hope that PG&E and the CPUC understands how important this is to all of us. I'm sure that you do, but I haven't been home since 6:30 this morning. I mean, most of us probably haven't. We haven't seen our families. So this is an important issue.

I'm probably the oddball here. I was hoping that somebody would have a similar issue to mine. I almost didn't want to say anything, I'm almost afraid to

say anything, because I have the opposite effect happening. So I have a couple of things I want to point out. I'll be brief.

I didn't realize that Bakersfield was the only area that is having the smart meters installed at this point. So that even makes me more upset that the whole time is an hour when you call to talk to someone about the smart meter. It's 33 to 50 minutes, approximately. For someone who works full time, on a lunch hour during the day, that is essentially impossible. It's a waste of time. The regular 1-800 number is fine. It's when they transfer you over to the SmartMeter people that you're on hold forever—just to note there. And with the budget at \$32.2 million, for customer care, I don't think that's acceptable. And then, when you do talk to someone, they're rude and they just say, *There's rate increases. We can't help you. It must be you; you must be crazy.*

So along with, I've had, I guess, one smart meter put in and I called recently because—I'll tell you what's going on. They're essentially telling me I'm crazy because my smart meter is not digital. They're talking to me, like, *What are you talking about, lady?*

I'm like, *No, there's dials. I've taken my own meter readings.*

They're like, *No. Is the numbers flashing, blinking?*

I'm like, *No, there's dials.*

*Are you looking at your gas meter?*

*No!*

Anyway, you need to train your people to know that there are still two different kinds of smart meters out there, because they have no clue.

All right. So here's my issue. May 26th, PG&E guy comes out. Thank God my husband was home. I was at work. We've never been late on our bill. I pay my bills. I don't have any trouble, never, ever. This gentleman comes out and says....he didn't even tell my husband. My husband went over to him because he was, like, *What are you doing?* They were taking our meter. No notice, no late, no nothing. Literally took the meter off of our house. And my husband says, *Whoa, what are you doing?*

And he says, *Well, you need to go down to PG&E.* Didn't try to talk to him, didn't try and explain anything.

So he calls me. He's like, *Babe, I don't know—what the heck? Guy says you've got to go to PG&E.*

*Okay, fine.*

I take my lunch hour, go down there. I had to pay an \$800 fine that he says is for investigative services because we aren't using as much power as they think we should be.

So I'm freaking out. I'm like, *Okay, yeah, how do I argue with you? You're PG&E.*

So I go down, I pay the money, which, hello, *If I had \$800 sitting there, I obviously have enough to pay my bill, so I don't understand.*

I call him back after the whole thing settled. They come put a new meter back on—immediately, by the way. So thank you for that. But he says, *We'll be averaging your bill over the next few months, your usage, yada yada yada.*

*Okay, fine. So I did not get a bill and this is what I asked you—how long it takes from a SmartMeter, from them going from manually reading to electronic reading.*

He said, *Twenty-four days, approximately. I'll give you thirty.*

I did not get a bill for 78 days! What the heck?

So I'm freaking out all summer long because this man's telling me that my usage is too low. So I'm like, *Oh my god! What the heck's going on? Guess what? I get my bill for 78 days. How much do you think it was living here? I want to know. What would your guess be? Just guess. Just from the discussions we've had. My bill was \$130. So, you tell me how that meter is accurate after you're telling me I wasn't using it enough. But that being said, I don't trust you guys. So I take my own reading, since it is still the dials, and your meter is not reliable and it is not accurate, and I have proof.*

So I just wanted to let you know.

**SENATOR FLOREZ:** Thank you.

**MS. PERES:** You're welcome.

**SENATOR FLOREZ:** We'll get your name as well and take that down.

**MR. BILLY THOMPSON:** Hi Senator.

**SENATOR FLOREZ:** How are you?

**MR. THOMPSON:** Good. I'm Billy Thompson. I want to change a little, the tone. I want to thank you very much for sitting here and patiently looking at everybody in the face and listening intently to everybody here. I think that's something we need in this world very much.

I think PG&E is a major issue because it's a major bill. I've been in the mortgage business for a long time. And these types of things now, for the first time in my life, at 53 years old, it's time to stand up and do some stuff, and that's why I'm here.

The thing I want to say is it's not just about PG&E. It's not just about health care. It's about all of it. And that's why we're so fed up and tired. We're broken. You can't constantly....how is it that the issue is never....that we're in a financial crisis, and how comes it's never, *We'll delay that increase a little?* How come everybody gets approval, from the water companies to the local garbage, to DMV fees? If we're a human scale—and this is kind of a funny thing that I do—but if I'm a human scale, we're broke! We can't do it any longer. And I'm afraid that nobody ever adds up those little bills all the way across the scale, and I think it's time that we have to. This is why the tea parties and the town hall meetings. That's what this is about. Why are people sitting here at 11:10 at night talking about this? And people can't take it serious enough?

I counsel people every day, and think of this one thing. I'm trying to qualify someone for a home loan, and I can guarantee, the factors are not the utility bills that we pay. If those factors go in, there's a lot of people that won't be able to afford a home anymore because those factors won't allow people to qualify. Because the utility bills today are as much as people's house payments.

So again, I just want to thank you very much for sitting here and listening to us, because we need it very much.

**SENATOR FLOREZ:** Thank you.

**MR. SEAN GILES:** My name is Sean Giles. I live in Shafter, and I have two places there. A house we're remodeling and an apartment we're living in for the time being.

When I opened up PG&E on the apartment, they told us that our two bills would be combined as one and we receive one bill. So I did that. February, March went fine. First of April I got a bill for, like, \$76—something like that—for both places, which was doing great. It was kind of getting a little warmer from the winter. Anyway, they came out and changed to smart meter at the apartment. They came in and told us, five minutes, they'll have a new meter on and they'll be gone. They were gone in probably about three minutes.

After that, I received a bill for \$30. So I called them because I felt something was wrong. You know, am I not getting billed for both places? Am I getting two separate bills now that they put a new meter on? They said, *No, everything's in sync; pay what's on your bill.* Paid that.

The next month after that, I got another bill for 20-something dollars. So I called them again, second month in a row, and they said, *No, everything's in sync. That amount on your bill for 20-something dollars is for both places.* Paid that.

Then in July, I got another bill for \$10.51. Called again. I said, *Something's not right here. Is this new meter going? Are the owner of the apartments getting billed for my usage? Because I'm not seeing it here. I mean, it keeps on dropping every month.*

And they said, *No, everything's synced up, everything's current. You're getting billed for both places.*

So I said, *Something's not right. I need to speak to a manager.*

So they gave me a manager. Manager said—she heard my story—she said, *Give me a few minutes*. She got back on the line and said, *Your meter was just read*. Her term was, *The switch wasn't flipped*.

The meter was installed, turned on, but never put in my name. So she said, *The meter was just read, so you'll be getting a bill pretty soon*.

Well, I got a bill for right about \$700 for those three months.

My issue with PG&E was, those three months, I never had a chance to cut back on energy, if I knew my bill was that high. I'd gone from paying 69, 70 bucks for that apartment to a good \$200. I explained to them, and my feeling is, from the time that they found their mistake—they admitted it was their mistake, and turned it on into my name—I'll pay from there on. That previous stuff....I mean, we teach our kids, *Own up to your own responsibility. If you make a mistake, you bite the bullet. You deal with it*.

So that was my deal with the PG&E. Well, I found out today that if I don't pay the back bills from that time by tomorrow, they'll be shutting it off at five o'clock. So I'm going to go down the street to the Marriott and talk to them tomorrow.

So that's basically where I'm at on the deal. Because I didn't have no issues until they switched this meter out.

**SENATOR FLOREZ:** Okay. You can talk to them right now. They're to your right. So when you leave the podium, just leave your name and save a little time for you tomorrow, with PG&E. They've got their customer representative person there. Susan, can you connect them? I don't want your power shut of tomorrow. There's no reason for that, okay?

Come on up.

**MS. MARQUITA LEWIS:** I'm nervous.

**SENATOR FLOREZ:** Oh, don't worry about it.

**MS. LEWIS:** My name is Marquita Lewis. Me and my husband never had no problem with PG&E until the smart meter thing, you know? They sent us a bill in July of \$830.90. So we was, like, Wow! So we didn't have no



money. Obviously, we're not rich. So we put 180 down on it. The next following month, they're talking about we owe \$1,637.07. So we're like stressing out and all this and that, trying to pray, you know, and all this. And then they send us a bill, the same....on that bill they wanted \$651. We didn't have \$651, so we was talking to our pastor and my uncle and stuff. So they gave us \$651 so that way our PG&E won't get shut off. Then they sent us a bill on the 17th of the same month, talking about we owe \$1,255.39. Now today we get a 15-day notice talking about if we don't pay \$806, we're about to get shut off.

And what are we supposed to do? Where my kids supposed to go if our PG&E gets shut off? What are we supposed to do with our food? You know? It hurts.

**SENATOR FLOREZ:** Susan, can we also have a conversation outside with our PG&E rep? They just walked outside with the person from Shafter. Let's see if we can help. And thanks for coming out. Appreciate that.

**MR. PETE FLORES:** I just got a few comments to make, Senator Florez. My name is Pete Flores—with an “s”—but obviously spelt wrong.

I did everything that you could possibly do: roofed, installation, refrigerator, washer, vents on the top of the house, stuccoed, everything. Windows—replaced them with, was is it? doubled window panes. My electrical bills now exceed my house payment. My last couple of bills, that one bill was over \$600. I have changed nothing. I have lived in this house for over 30 years. I'm lying—my daughter moved back in with me. She's got a baby, a newborn. I have a light for the baby, and once in a while we run a humidifier. That can't be costing me almost two-thirds more of what I've been using in the past.

I guess the question that I'm raising, that nobody's asked, is it too late to bail out and get rid of the smart meters? That's all.

**SENATOR FLOREZ:** Fair question. Thank you. Thank you very much.

**MR. MICHAEL ROULE:** Michael Roule. Mr. Florez, I want to commend you, I want to thank you, for letting everybody speak; not stopping them. I thank you and the people of Kern County thank you.

**SENATOR FLOREZ:** Is there anymore public comment at this time?

**MS. \_\_\_\_\_:** One question.

**SENATOR FLOREZ:** You don't get two. Mary Helen?

**MS. \_\_\_\_\_:** I'm going to beg your indulgence to let me ask one question, now that the PUC people are here. Thank you.

You know, we all by law must have public utilities. It's the law. We'll be evicted if we don't. Why cannot public utilities somehow be phased into being nonprofits?

Now that the PUC people are here, I would like that to be brought up, because, you know, you can still make money as a nonprofit. You just can't rip people off.

Thank you very much.

**SENATOR FLOREZ:** Thanks. Some nonprofits.

**UNIDENTIFIED:** Hi Senator. Thank you for being here tonight.

**SENATOR FLOREZ:** Thank you for staying so late with us.

**UNIDENTIFIED:** I didn't vote for you, but I probably will next time because I appreciate what you're doing for us here tonight.

I'm unemployed. I was laid off back in May. I'm in construction. I've been in construction for the past 22 years. Never had such a hard time finding a job in my life; looking for a job in every city that's actually in the state. So obviously, I'm a stay-at-home father right now. I have four kids. My wife works. She has a good job, thankfully. It's the only way we've been able to survive, plus unemployment which doesn't really pay a whole lot, unfortunately. I'm thinking about changing careers.

I said all that to say this: Very careful about our power usage. Don't turn on any lights during the daytime. Don't even turn on my AC until after the kids get home, which is about three o'clock. I turn it off about seven o'clock, and that's daily—every day. July bill, \$955. That's insane. That's

almost as much as my house payment. That is more than what I make on unemployment. These people are stealing from us, and I'm really tired of it.

So after I got the \$955 bill, I said, *Oh man, maybe I need to do something else*. Installed a whole house fan. PG&E says, *Hey, this is the latest greatest thing*. Well, it's kind of hard to use that in 100 degree heat. So I turned off more stuff in my house. Seven hundred and fifty dollars, August. I don't know what it's going to be this month. We're just barely making it now, being able to pay all of our bills, and I do pay all of my bills. I'm luckily on the balance payment program; otherwise, I wouldn't be able to pay it.

My sister, she had to move out of her house because she couldn't afford PG&E. She could afford the house payment. Her house payment was less than PG&E. She couldn't afford it.

So I'd like to thank you again for being here tonight.

**MR. MARTIN FELDT:** Good evening. My name is Martin Feldt. I just kind of have a suggestion. I was thinking about the issue of whether the smart meters will last us 15 or 20 years or whatever. I've never known General Electric to sell a product without a warranty, so why don't we find out what kind of a guarantee General Electric is giving PG&E on these things. And that may be a starting point. Okay?

Thank you very much for your time.

**SENATOR FLOREZ:** Thank you. Anybody else for a public comment?

Well, let me....number one, it's 11:20. I do want to thank everyone for sticking around to the end. The reason it's important, and I'll be brief, is that simply, customer and demand side reductions were the genesis for this program. If it wasn't the genesis for it, if it really was going to be for the utility to make operational savings, then the utility should be paying for those operational costs through their savings. I mean, it's a real simple equation. So I think that the demand side is extremely important. Tonight we found out that we have a lot of work to do there.

I can only say, just in summary, this is kind of worse than expected. You know, I had an opportunity to do quite a bit of research, as you could

probably tell, somewhere in the midst of this hearing, and I think, really, it tells me that we have to have this before the PUC commission, and the Legislature needs to have a full hearing on this. Both my colleagues, Alex Padilla and the Assembly, needs to reassemble, where we can actually get the presence of the company—PUC—Mike Peevey, Rachelle Chong, others—in a more....take this up a couple of notches, if you will, than just this hearing. This is the beginning.

I can say that, clearly, in Bakersfield—PG&E, you've got to understand: when you're testing 50 out of 250,000 meters, that isn't monitoring, and we have to work on that. We do need some independence in this section. I know that we're moving forward on this, it sounds, but there needs to be an independent audit. And some just simple suggestions tonight made a lot of sense; just straight-up comparisons of the technologies and to see if they actually do produce the savings.

Again, we are the test case. We are the, if you will, the epicenter of the highest rates, I believe, at this point in time, given this new system. So I think PG&E needs to work towards a lot of various items. I've been taking a lot of notes tonight in terms of what we have to produce. So I'll be sending PG&E a thorough letter outlining what we heard tonight.

We will also the \_\_\_\_\_ tape, and we will make it into a transcript, and we will post that transcript so that others can read and go back and find things we missed, because I always find when we go back and read a transcript, you come up with about a hundred other questions. So this would be an opportunity. It will be a very long transcript, obviously, but we want to make sure people know that that will be moving forward.

I do know that the PUC commission plays a bigger role than we would have expected tonight, and I do again say that we will have a more thorough investigation of this. This is just the beginning. And you folks know that we don't give up so easily on these types of issues.

The last time I saw something very similar to this was a software case called Oracle, and that took a lot of hearing. That took a lot of hearing, and it

took a lot of digging, and we're going to keep digging to see what we can come up with; that we'll get to some sort of level where we can make some cogent decisions on whether to move forward or not. This is not a done deal. Nothing is ever and should be a done deal when you're only 10 percent deployed, okay? When we get 50 percent deployed, then it's another matter. But we are way off from 17 million meters in California, both from an Edison perspective and PG&E.

So I think there's a time to pause and a time to reflect and to try to see if we can, as Mary Helen said, look at a moratorium as something that might be a good pause at this point in time, to see if we should move forward.

So I do want to thank everyone for coming. I do want my staff for doing a thorough job preparing me, and to my staff to help organize....everyone who was in the yellow was my staff trying to give you the best service possible here, at least from the state. I do want you to know also, that we do have, and will have, to you PG&E, a list of everyone who signed up here so we can ask you to do some of these audits that we've asked for, if that's okay with people. Nothing wrong with people coming out and checking your meter, I'm sure.

So with that, we'll adjourn the hearing. I do want to thank everyone again, and we will see you very, very soon, when we have another hearing on this.

Thank you.

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